
CITY OF COOKEVILLE, TENNESSEE

FINANCIAL STATEMENTS

Year Ended

June 30, 2017



**DUNCAN, WHEELER
& WILKERSON, P.C.**
Certified Public Accountants

Carthage: 302 North Main Street P.O. Box 337 Carthage, TN 37030 615-735-1139 Fax 615-735-2420
Cookeville: 228 East Broad Street Suite 200 Cookeville, TN 38501 931-528-1545 Fax 931-526-3597

CITY OF COOKEVILLE, TENNESSEE

FINANCIAL STATEMENTS

June 30, 2017

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INTRODUCTORY SECTION

CITY OF COOKEVILLE, TENNESSEE

OFFICIALS OF THE CITY OF COOKEVILLE, TENNESSEE

June 30, 2017

<u>Name</u>	<u>Title</u>
Elected Officials:	
Ricky Shelton	Mayor
Larry Epps	Vice - Mayor
Dwight Henry	City Council
Charles Womack	City Council
Jim Woodford	City Council
Management:	
Mike Davidson	City Manager
Brenda Imel	Finance Director

FINANCIAL SECTION



Independent Auditor's Report

To the City Council
City of Cookeville, Tennessee

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the statement of budgetary comparison for the general fund, and the aggregate remaining fund information of the City of Cookeville, Tennessee (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Cookeville Regional Medical Center Authority whose statements reflect total assets and deferred outflows of resources of \$283,309,847 and total revenues of \$295,129,727. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Cookeville Regional Medical Center Authority, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those

risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the statement of budgetary comparison for the general fund, and the aggregate remaining fund information of the City, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents on pages V through XVIII and pages 69 through 71 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The

introductory section, combining nonmajor and individual fund financial statements and the remaining information listed in the supplementary section in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and state financial assistance is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and is also not a required part of the basic financial statements.

The combining nonmajor and individual fund financial statements, including the schedule of expenditures of federal awards and state financial assistance, and remaining information listed in the supplementary section of the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor and individual fund financial statements and remaining information listed in the supplementary section of the table of contents, including the schedule of expenditures of federal awards and state financial assistance, are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and miscellaneous information have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Cookeville, Tennessee's internal control over financial reporting and compliance.

Duncan, Wheeler & Wilkerson, P.C.

December 29, 2017
Cookeville, Tennessee

Management's Discussion and Analysis
Annual Financial Statements
For the Fiscal Year Ended June 30, 2017

As management of the City of Cookeville, we offer readers of the City of Cookeville's financial statements this narrative overview and analysis of the financial activities of the City of Cookeville for the fiscal year ended June 30, 2017. The City's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. The discussion focuses on the City's primary government and, unless otherwise noted, component units reported separately from the primary government are not included.

Financial Highlights

- The assets and deferred outflows of the City of Cookeville exceeded its liabilities and deferred inflows at June 30, 2017 by \$186,468,205 (net position) for the primary government. This excess includes the value of capital assets plus resources restricted to specific projects by law, regulation, or contractual agreement (\$156,124,524) and unrestricted resources available to continue City operations into the next fiscal year (\$30,343,681).
- The government's total net position increased this year by \$6,041,328. Net position of the governmental activities increased by \$2,157,823 and those of the City's business type activities (utilities) increased by \$3,883,505.
- As of June 30, 2017, the City of Cookeville's governmental funds reported combined ending fund balances of \$35,357,353 a decrease of \$345,191 in comparison with the prior year. Approximately 53% of this total amount, \$18,863,186 is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$17,763,052 or 71.1% of total general fund expenditures.
- The City of Cookeville's total debt decreased by \$5,467,783 (14.5 percent) during the current fiscal year. The City retired (principal payments) \$5,467,783 of previously outstanding debt. No new debt was issued during the year.
- As required by the Governmental Accounting Standards Board, the City has adopted GASB Statement No. 45 related to Other Post-Employment Benefits. The City provides healthcare benefits to retired employees and spouses. These benefit provisions are established by city policy. OPEB benefits are currently funded on a pay as you go basis. An actuarial study was performed to calculate the City's annual required contribution (ARC). The ARC represents a level of funding that if paid on an ongoing basis is projected to cover the normal cost each year and to amortize any unfunded actuarial accrued liability for post-employment healthcare. The City's ARC is \$2,697,699 for governmental activities and \$516,265 for business type activities. The actuarially determined net other post-employment benefits liability at June 30, 2017 is \$17,148,919. Additional information is available on pages 40-42.

- As required by the Governmental Accounting Standards Board, the City has adopted GASB Statement No. 68 related to Pension Plans. Employees of the City are members of the Political Subdivision Pension Plan, an agent multiple-employer defined benefit pension plan administered by Tennessee Consolidated Retirement System (TCRS). The City makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. The employees make no contribution. The City changed benefit terms authorizing the establishment of a mandatory retirement at age 60 for all public safety officers. The benefit option allows unreduced retirement benefits upon attainment of age 55 with 25 years of public safety officer service and a supplemental bridge benefit that will begin at age 55 and continue through age 62. This change in benefit resulted in an increase in the pension liability of \$4,282,656. The contribution rate for the year ended June 30, 2017 was 20.5% for public safety officers and 17.0% for all other city employees. The actuarially determined net pension liability at June 30, 2017 is \$ 20,613,754.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Cookeville's basic financial statements. The City of Cookeville's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The first two statements, the Government-wide Statement of Net Position and Government-wide Statement of Activities present an overview of the City's governmental and business-type services.

The government-wide statement of net position presents information on all of the City of Cookeville's assets plus deferred outflows of resources and liabilities plus deferred inflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Cookeville is improving or deteriorating.

The government-wide statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The reader should remember that the financial resources of the business-type activities are not available to finance governmental activities.

Governmental activities include services such as police, fire, recreation and culture, public works, street maintenance, sanitation services, prevention of drug and alcohol abuse, animal shelter operations, planning and codes, historical preservation, administrative and oversight functions necessary to provide all of the above.

Business-type activities, include electric, water & sewer services, and gas services.

The government-wide financial statements include not only the City itself (known as the primary government), but also the Cookeville Regional Medical Center and the Public Building Authority for which the City is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The business-type activities that are listed above function for all practical purposes as a department of the City, and has been included as an integral part of the primary government.

The government wide financial statements can be found on pages 1-3 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in assessing a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund and the capital projects fund, all of which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements found on pages 72-73 in this report.

The City of Cookeville adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget and can be found beginning on page 11.

The basic governmental fund financial statements can be found on pages 4-10 of this report.

Proprietary funds. The City of Cookeville maintains two different types of proprietary funds. The enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The city uses enterprise funds to account for its electric, water quality, and gas operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Cookeville's various functions. The City uses an internal service fund to account for the employee insurance program. The internal service fund has been allocated to both the governmental and business-type activities in the government-wide financial statements. The net assets of this internal service fund are for the purposes of paying health and wellness claims.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the electric, water quality, and gas operations, all of which are considered to be major funds of the city. The basic fund financial statements can be found on pages 8-10 of this report.

Notes to the Financial Statements. The notes to the financial statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information. Combining and individual fund statements for non-major funds as well as information required by the State of Tennessee can be found in the other supplementary information.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. For the City of Cookeville, assets plus deferred outflows exceeded liabilities plus deferred inflows by \$186,468,205 at fiscal year end June 30, 2017.

By far the largest portion of the City of Cookeville's net position (75 percent) reflects its investment in capital assets (e.g. land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Cookeville's investment in its capital assets is reported net of related debt it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table provides a summary of the City's net position at June 30:

Summary of Net Position

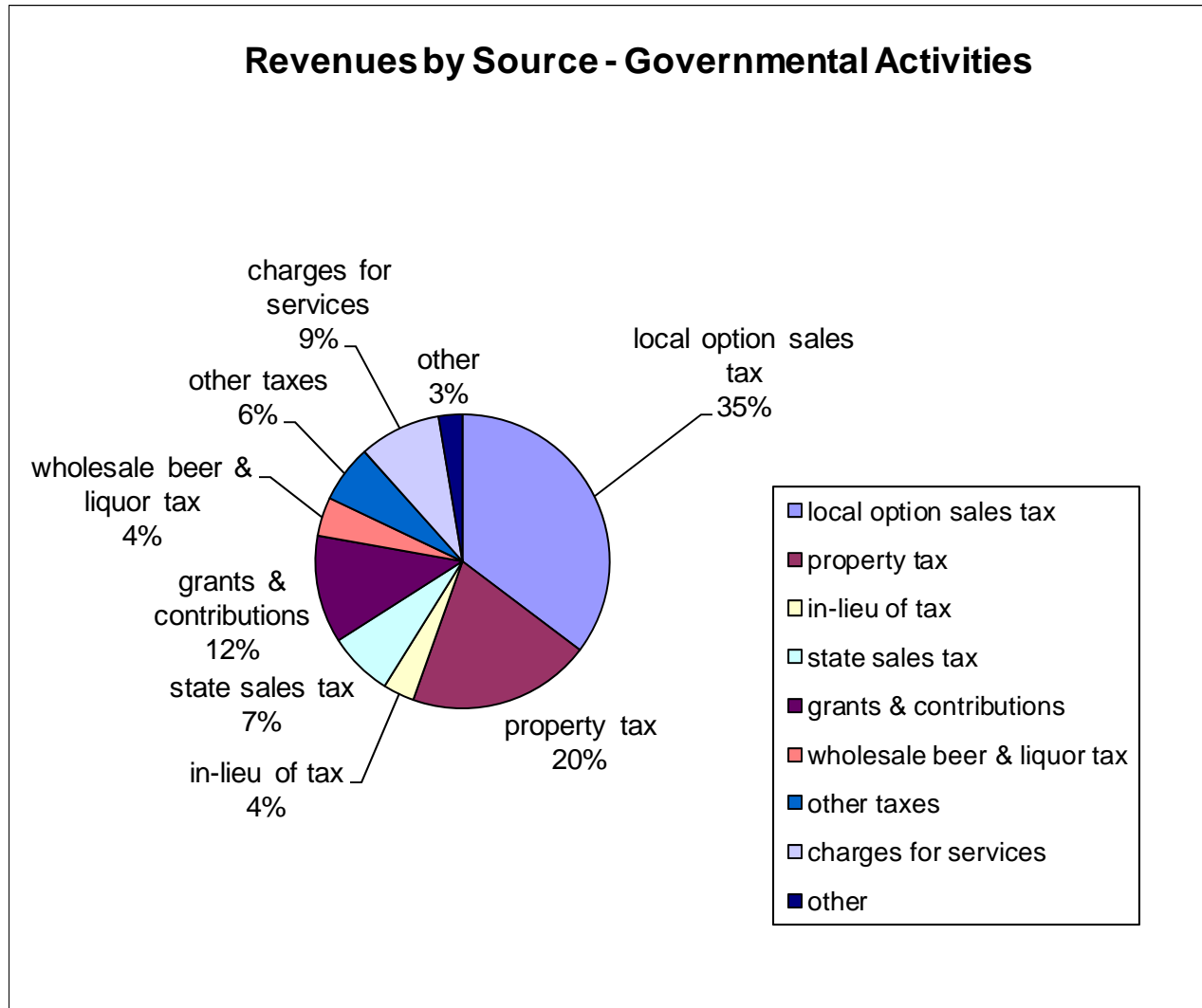
	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current Assets	\$ 48,080,115	\$ 48,287,479	\$ 46,329,107	\$ 46,403,865	\$ 94,409,222	\$ 94,691,344
Capital Assets	54,731,072	49,279,523	114,939,395	114,606,311	169,670,467	163,885,834
Other Assets	<u>3,820,400</u>	<u>3,918,179</u>	<u>2,196,214</u>	<u>2,355,962</u>	<u>6,016,614</u>	<u>6,274,141</u>
Total Assets:	<u>106,631,587</u>	<u>101,485,181</u>	<u>163,464,716</u>	<u>163,366,138</u>	<u>270,096,303</u>	<u>264,851,319</u>
Deferred Outflows of Resources:	<u>4,948,217</u>	<u>4,738,599</u>	<u>2,137,907</u>	<u>2,014,457</u>	<u>7,086,124</u>	<u>6,753,056</u>
Current Liabilities	4,422,588	4,985,882	8,032,826	9,225,954	12,455,414	14,211,836
Long-term Debt	18,957,000	21,138,666	8,498,708	11,088,619	27,455,708	32,227,285
Other Liabilities	<u>30,271,491</u>	<u>21,175,089</u>	<u>12,375,184</u>	<u>10,886,635</u>	<u>42,646,675</u>	<u>32,061,724</u>
Total Liabilities:	<u>53,651,079</u>	<u>47,299,637</u>	<u>28,906,718</u>	<u>31,201,208</u>	<u>82,557,797</u>	<u>78,500,845</u>
Deferred Inflows of Resources:	<u>7,899,934</u>	<u>11,053,175</u>	<u>256,491</u>	<u>1,623,478</u>	<u>8,156,425</u>	<u>12,676,653</u>
Net Position						
Invested in capital assets						
Net of related debt	35,620,017	31,115,917	103,850,776	100,464,576	139,470,793	131,580,493
Restricted	16,653,731	15,488,064	-	-	16,653,731	15,488,064
Unrestricted	<u>(2,244,957)</u>	<u>1,266,987</u>	<u>32,588,638</u>	<u>32,091,333</u>	<u>30,343,681</u>	<u>33,358,320</u>
Total Net Position:	<u>\$ 50,028,791</u>	<u>\$ 47,870,968</u>	<u>\$ 136,439,414</u>	<u>\$ 132,555,909</u>	<u>\$ 186,468,205</u>	<u>\$ 180,426,877</u>

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used and are restricted for various purposes. The remaining balance of unrestricted net position (\$30,343,681) may be used to meet the government's ongoing obligations to citizens and creditors, however, the net assets of the internal service fund are for the purposes of paying health related claims. At June 30, 2017, the amount available for health related claims was \$3,140,751.

At June 30, 2017, the City of Cookeville is reporting a negative unrestricted net position on governmental activities. All other categories of net position have positive balances. Net position increased \$2,157,823 for governmental activities and increased \$3,883,505 for business-type activities. The City's overall financial position improved during the fiscal year 2017.

Governmental activities. Governmental activities increased the City of Cookeville's net position by \$2,157,823 thereby accounting for 36 percent of the total growth in the net position of the City of Cookeville.

The following table provides a summary of revenues by source for the governmental activities.



The following table presents a summary of the City's changes in net position for the primary Government for the year ended June 30, 2017.

Summary of Changes in Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues						
Charges for services	\$ 3,276,263	\$ 2,791,590	\$ 77,752,562	\$ 74,427,479	\$ 81,028,825	\$ 77,219,069
Operating Grants & Contributions	1,283,199	1,289,191	-	-	1,283,199	1,289,191
Capital Grants & Contrib	3,031,008	8,459,661	-	-	3,031,008	8,459,661
General revenues						
Local option sales tax	12,868,534	12,518,652	-	-	12,868,534	12,518,652
Property tax	7,340,383	7,030,829	-	-	7,340,383	7,030,829
In-lieu of tax	1,258,118	1,164,238	-	-	1,258,118	1,164,238
State sales tax	2,582,904	2,506,658	-	-	2,582,904	2,506,658
Wholesale beer tax	1,136,918	1,136,016	-	-	1,136,918	1,136,016
Wholesale liquor tax	421,183	462,500	-	-	421,183	462,500
Other taxes	2,303,234	2,509,776	-	-	2,303,234	2,509,776
Other revenues	955,950	847,252	205,767	114,790	1,161,717	962,042
Transfers	1,551,558	(2,521,812)	(1,551,558)	2,521,812	-	-
Total Revenues	<u>38,009,252</u>	<u>38,194,551</u>	<u>76,406,771</u>	<u>77,064,081</u>	<u>114,416,023</u>	<u>115,258,632</u>
Expenses:						
General government	3,241,433	3,498,492	-	-	3,241,433	3,498,492
Economic development	24,156	4,877,778	-	-	24,156	4,877,778
Planning & codes	1,407,457	1,303,105	-	-	1,407,457	1,303,105
Public safety	18,266,399	13,533,798	-	-	18,266,399	13,533,798
Parks & maintenance	1,508,671	1,446,818	-	-	1,508,671	1,446,818
Public works	7,428,954	7,642,716	-	-	7,428,954	7,642,716
Culture & recreation	2,616,313	3,441,337	-	-	2,616,313	3,441,337
Community support	763,749	741,710	-	-	763,749	741,710
Interest on debt	594,297	518,650	-	-	594,297	518,650
Electric	-	-	51,287,854	49,172,549	51,287,854	49,172,549
Gas	-	-	8,942,850	8,587,658	8,942,850	8,587,658
Water Quality Control	-	-	12,292,562	13,607,735	12,292,562	13,607,735
Total Expenses	<u>35,851,429</u>	<u>37,004,404</u>	<u>72,523,266</u>	<u>71,367,942</u>	<u>108,374,695</u>	<u>108,372,346</u>
Change in Net Position	2,157,823	1,190,147	3,883,505	5,696,139	6,041,328	6,886,286
Beginning Net Position	<u>47,870,968</u>	<u>46,680,821</u>	<u>132,555,909</u>	<u>126,859,770</u>	<u>180,426,877</u>	<u>173,540,591</u>
Ending Net Position	<u>\$ 50,028,791</u>	<u>\$ 47,870,968</u>	<u>\$ 136,439,414</u>	<u>\$ 132,555,909</u>	<u>\$ 186,468,205</u>	<u>\$ 180,426,877</u>

Revenues and transfers have decreased slightly (\$185,299) for the governmental activities. Expenses decreased \$1,152,975 or 3% for the governmental activities. Economic Development expenses decreased \$4,853,622 from the prior year. Prior year included a one-time FastTrack Economic Development Grant related to Academy Sports and Outdoors. The FastTrack grant revenue and expenditures were recognized in Fiscal Year 2016. Public safety expenses increased \$4,732,601. This increase was due to the increase in the net pension liability related to the change in benefits for public safety officers mentioned earlier.

Business-type activities. Business-type activities increased the City of Cookeville's net position by \$3,883,505 accounting for 64 percent of the total growth in the government's net position.

The three Proprietary Fund Statements demonstrate that the electric, water/sewer, and gas departments continue to grow and to be financially stable.

The electric operations continue to be positive. Net position increased by \$2,612,544 with operating revenues of \$55,060,243 and operating expenses of \$51,241,284. Non-operating expenses totaled \$20,947 and transfers to the general government were \$1,185,468. The electric department receives power from TVA at five substation sites located throughout the city. These substation sites then distribute power to the electric department's customers. During the year the electric department spent \$265,000 at the east substation for a split buss project that assists outage situations by allowing isolation of individual transformers. The department also spent \$187,000 on the TVA west substation conveyance allowing a transfer of ownership of all TVA 69KV facilities that feed the west, east and north substations. A relocation project was completed at the fifth interchange which included the building of new overhead and underground lines for the area for a cost of \$172,000. The department purchased a new underground materials truck for \$96,447. The department also started a project of changing out street lights to a more energy efficient LED light in numerous areas.

Net position increased \$1,853,232 for the water/sewer department. Operating revenues were \$14,318,821 and operating expenses were \$12,186,848. The water/sewer department had non-operating expenses totaling \$89,350 with this being primarily interest expense on long-term debt. Net transfers to the general government totaled \$279,704. The department routinely performs leak surveys to locate water leaks in their distribution system and repairs them as soon as they are found. The department completed the installation of the Hyder Mountain water line project during the year. The department continued construction on the wastewater treatment plant rehab project and the 15th Street water tank modification and repainting project. The department started work on installing sanitary sewer lines in the western part of Cookeville. After conducting a rate study in 2009, the department implemented planned rate increases for water and sewer services. The final preplanned rate increase was implemented in October 2013. These preplanned rate increases will provide sufficient cash reserves to fund the majority of planned capital expansion costs and minimize the amount of debt that would otherwise be issued for system expansion. The department maintained the rate structure during the year and did not increase rates. The department continues to sell water to seven area utility districts which in turn provide water services to their own customers. The utility districts consume approximately 52.8% of the water sold by the department and accounts for approximately 38.3% of the water department's water sales revenue. The utility districts continue to repair water leaks within their systems. The utility districts increased the amount of water purchased from the department during the year. The department's water supply is from Center Hill Lake. The department is required to pay the Army Corps of Engineers for water storage rights in Center Hill Lake and for dam repairs currently ongoing. During fiscal year 2017, the department paid \$78,897 to the Corp for a portion of the dam repair project. At June 30th the amount due the Corp for water storage right was \$1,829,939. The department continues to rehab and upgrade sewer lines and sewer pump stations to minimize storm water infiltration into the sewer system and help prevent potential discharge of untreated sewage.

The gas department's net position decreased by \$683,565. Operating revenues were \$8,373,498 and operating expenses were \$8,957,031. Non-operating income totaled \$76,667 and transfers to the general government were \$176,699. The department has two supply connections on the East TN Pipeline. The department added additional supply capacity from the East TN pipeline during March 2014. The system has a total of 18 employees. These employees serve over 9,800 customers and maintain over 327 miles of distribution mains. The department annually budgets and plans for the extension of mains throughout its service territory. The department has a separate rate structure for supply services which classify customers as residential, commercial, or industrial. The current base rates for the department have been in effect since July 2003. Gas rates are changed monthly utilizing a purchased gas adjustment (PGA) as prescribed in city ordinance. The monthly increases or decreases in gas commodity prices are factored into the monthly gas rates using the PGA. The PGA allows the department to recover the fluctuations in the cost of gas from its customers without changing base rates. Natural gas commodity prices remain relatively low and have been fairly stable the past four years which has helped renew consumer confidence in natural gas as an energy source. Operating revenues decreased just \$23,975 from prior year. Typically 75% of the annual gas usage comes from the winter months of November through March. The average temperature for the winter months in this year was 50.2 which was warmer than the past two years. Heating Degree Day (HDD) is a measurement designed to measure the demand for energy needed to heat a building. The HDD for the period November, 2016 through March, 2017 was 2,312 compared to 2,521 and 3,435 for the previous two winters, respectively. Expenses increased 4.49% from prior year to current year which was related to the increase in gas purchased for the year and the purchase price of gas averaged an increase of 5.68% during the winter consumption months. The department has no debt outstanding.

The tables below present a summary of the charges for services and expenses of the electric, water sewer and gas department for the City of Cookeville.

Summary Comparison of Charges for Services for Fiscal Years 2017 and 2016

	<u>FY 2017</u>	<u>FY 2016</u>	Amount <u>Change</u>	% <u>Change</u>
Electric Department	\$ 55,060,243	\$ 51,911,840	\$ 3,148,403	6.1%
Gas Department	8,373,498	8,397,473	(23,975)	-0.3%
Water quality Control Department	14,318,821	14,118,166	200,655	1.4%
Charges for Services-Business-type Activities	<u>\$ 77,752,562</u>	<u>\$ 74,427,479</u>	<u>\$ 3,325,083</u>	4.5%

Summary Comparison of Expenses for Fiscal Years 2017 and 2016

	<u>FY 2017</u>	<u>FY 2016</u>	Amount <u>Change</u>	% <u>Change</u>
Electric Department	\$ 51,287,854	\$ 49,172,549	\$ 2,115,305	4.3%
Gas Department	8,942,850	8,587,658	355,192	4.1%
Water quality Control Department	12,292,562	13,607,735	(1,315,173)	-9.7%
Expenses-Business-type Activities	<u>\$ 72,523,266</u>	<u>\$ 71,367,942</u>	<u>\$ 1,155,324</u>	1.6%

Financial Analysis of the Government's Funds

As noted earlier, the City of Cookeville uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Cookeville's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City of Cookeville itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City of Cookeville's Council.

As of June 30, 2017, the City of Cookeville's governmental funds reported combined ending fund balances of \$35,357,353, a decrease of \$345,191 in comparison to prior year. There is \$4,109,574 in restricted fund balances which must be used for specific purposes: \$1,052,617 restricted for street maintenance, \$226,487 restricted for police drug enforcement programs, \$802,859 restricted for sanitation operations and \$2,027,611 restricted for capital projects. There is \$11,039,525 in committed fund balances for the payment of principal and interest on the City's general obligation debt. The general fund is the chief operating fund of the City of Cookeville. At June 30, 2017, the unassigned fund balance of the general fund was \$17,763,052 and is available to be expended for any valid governmental purpose by the city. As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to total general fund expenditures. Unassigned fund balance represents 71 percent of total general fund expenditures during FY 2017.

The City of Cookeville's general fund revenue is primarily generated from the local option sales tax and property tax. The local option sales tax and property tax revenue account for 78% of the general fund revenues. The sales tax collections for FY 2017 were \$12,868,534, which is the highest amount ever collected by the city. This was a 2.8% or \$349,882 increase from June 2016 to June 2017. The City continues to budget conservatively assuming sales tax collections will grow but at modest amounts. The City's total property tax rate for FY 2017 (2016 property tax) was lowered from \$.90 in prior year to \$.84 due to the reappraisal process. This tax rate remains relatively low compared to other cities across the state. The property tax rate allocated to the general fund accounted for \$6,211,208 in general fund property tax revenue. Departmental budgets have seen minimal increases the past two years and the departments have been successful in staying within their approved budgets.

The debt service fund has a total fund balance of \$11,039,525, all of which is committed for the payment of principal and interest on outstanding debt. \$.04 cents of the city property tax rate along with the city's share of state sales tax is allocated to the debt service fund. Property tax and state sales tax totaled \$2,934,898 in the debt service fund. In lieu payments are received from entities that are exempt from property tax but have agreed to make payments because they receive the same city services that other tax payers receive. The city allocated \$700,000 of in lieu tax payments to the debt service fund for FY 2017. Revenue allocated to the debt service fund exceeded debt service obligations resulting in an increase in the debt service fund balance.

The increase in the fund balance was \$783,794. Interest rates were much lower than budgeted on the City's variable rate debt. Interest rates were budgeted at 5% and the actual rates were closer to 1.5%. In 2010, the City issued \$7.2 million in G.O. Taxable Build America Bonds to finance the City's half of the Highlands Industrial/Business Park. These bonds are scheduled to receive a subsidy from the U.S. Treasury equal to 35% of the interest payments due on the bonds. However, as a result of Congressional sequestration of federal funds, the historical 35% interest rate subsidy was reduced by 6.9% for the interest payments made in FY 2017. Future subsidies are expected to be reduced by 6.9%. This interest rate subsidy reduction will not have a significant impact on the debt service fund balance or the city's ability to meet its debt payment obligations. During fiscal year ended June 30, 2017, the City issued no new debt.

The capital projects fund is used to account for expenditures related to infrastructure projects such as road construction, facility improvements, property acquisition and specialized equipment purchases. Funding for these type expenditures is typically handled through bond issues or variable rate loan agreements with the Tennessee Municipal Bond Fund (TMBF). The City issued General Obligation Bonds in November, 2015 in the amount of \$9,815,000. The proceeds are for the costs incurred in the extension of Bennett Road north from I-40 to Highway 70 (Tennessee Avenue). The City issued General Obligation Bonds in December, 2013. The proceeds were for various projects. Some final improvements to Dogwood Park remain to be completed. As of June 30, 2017, unspent bond proceeds totaled \$2,027,611.

Proprietary funds. The City of Cookeville's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business type activities.

Budgetary Highlights

The statements, subtitled Budget and Actual, report on the City's compliance with the budget adoption and execution requirements. These statements for the general fund can be found beginning on page 11. The statements for the other funds can be found in the supplementary information.

Capital Asset and Debt Administration

Capital Assets. The City's investment in capital assets, net of accumulated depreciation, for governmental and business-type activities as of June 30, 2017 was \$54,731,072 and \$114,939,395 respectively. The net investment increased 11.1% for governmental and increased about .3% for business-type activities.

This year's major capital asset additions included:

- Bennett Road extension project as construction in progress, being paid for with bond proceeds and grants through the Tennessee Department of Transportation. \$6,390,823
- Wastewater Treatment Plant Improvements as construction in progress. Project includes UV system replacement and SCADA system upgrades. \$2,207,681

A table summarizing the City's capital assets is presented below.

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	Governmental Activities		Amount Change	% Change
	<u>2017</u>	<u>2016</u>		
Non-depreciable assets:				
Land	\$ 10,494,338	\$ 10,494,338	\$ -	0.0%
Construction in progress	10,657,499	3,941,376	6,716,123	170.4%
Depreciable assets:				
Buildings	9,015,433	9,236,224	(220,791)	-2.4%
Improvements	1,393,075	1,484,096	(91,021)	-6.1%
Vehicles	1,210,839	1,082,151	128,688	11.9%
Machinery & equipment	835,225	678,890	156,335	23.0%
Easement	13,157	26,313	(13,156)	-50.0%
Infrastructure	21,111,506	22,336,135	(1,224,629)	-5.5%
Total	<u>\$ 54,731,072</u>	<u>\$ 49,279,523</u>	<u>\$ 5,451,549</u>	11.1%

CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION

	Business-type Activities		Amount Change	% Change
	<u>2017</u>	<u>2016</u>		
Non-depreciable assets:				
Land	\$ 3,857,353	\$ 3,857,353	\$ -	0.0%
Construction in progress	4,764,744	3,633,660	1,131,084	31.1%
Depreciable assets:				
Building & Improvements	2,098,850	2,145,505	(46,655)	-2.2%
Plant & distribution systems	90,755,770	90,636,414	119,356	0.1%
Machinery & equipment	4,844,664	4,863,606	(18,942)	-0.4%
Furniture & equipment	90,725	113,798	(23,073)	-20.3%
Plant acquisition adjustment	8,527,289	9,355,975	(828,686)	-8.9%
Total	<u>\$ 114,939,395</u>	<u>\$ 114,606,311</u>	<u>\$ 333,084</u>	0.3%

Long-term Liabilities. At the end of the fiscal year, the Primary Government had total long-term liabilities of \$36,000,162. Of this amount, \$22,092,555 relates to governmental activities while the remaining \$13,907,607 relates to business type activities. Of the \$22,092,555 of long-term liabilities of governmental activities, \$21,138,666 was debt related to a bond or note issuance and is backed by the full faith and credit of the City of Cookeville. During fiscal year ended June 30, 2017, the City issued no new debt.

	Governmental Activities		Business-type Activities		Totals	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Bonds & notes payable	\$ 21,138,666	\$ 23,553,333	\$ 11,088,619	\$ 14,141,735	\$ 32,227,285	\$ 37,695,068
Compensated Absences	953,889	899,770	419,009	403,425	1,372,898	1,303,195
Other debt	-	-	2,399,979	2,551,147	2,399,979	2,551,147
	<u>22,092,555</u>	<u>24,453,103</u>	<u>13,907,607</u>	<u>17,096,307</u>	<u>36,000,162</u>	<u>41,549,410</u>
Less:						
Amounts due within one year	<u>(2,181,666)</u>	<u>(2,414,667)</u>	<u>(2,681,595)</u>	<u>(3,142,238)</u>	<u>(4,863,261)</u>	<u>(5,556,905)</u>
Total Long term liabilities	<u>\$ 19,910,889</u>	<u>\$ 22,038,436</u>	<u>\$ 11,226,012</u>	<u>\$ 13,954,069</u>	<u>\$ 31,136,901</u>	<u>\$ 35,992,505</u>

Economic Factors and Considerations

Cookeville, the county seat of Putnam County, is located at the intersection of Interstate 40 and Highway 111 at the foothills of the Cumberland Mountains. It is 80 miles east of Nashville, 100 miles west of Knoxville, and 90 miles north of Chattanooga. Cookeville is home to Tennessee Technological University. The university is a four-year, state supported, co-educational university with an enrollment of 10,000 students. Also, Cookeville is home to the Cookeville Regional Medical Center, a 247-bed acute care hospital providing quality care to the 14 county Upper Cumberland region.

The city's current population is 31,154 but is the regional center for employment, shopping, dining, education, health care and recreational/cultural activities for the approximately 200,000 people that live in the surrounding counties. The city, county and chamber of commerce are actively recruiting new industry and commercial growth for the Upper Cumberland Area. The unemployment rate for Putnam County improved from 5.4% in June 2016 to 4.4% in July 2017. Jobs have increased substantially over the past 2-3 years with the opening or expansion of Academy Sports & Outdoors distribution center; Ficos, North America; SAIC and ATC.

The city partnered with Putnam County to purchase and develop 350 acres along Interstate 40 into the Highlands Industrial/Business Park. The first occupant, FICOSA, an automotive supplier, has completed their new facility and is in full operations. A second occupant, a software development company, has been announced and will be building a new facility in the coming year. The State of Tennessee is building a new interchange off of Interstate 40 for additional access to the Park. Construction is nearing completion and should be open by January 2018. The City as part of the interchange project, is constructing a new 2.75 mile road that will connect Interstate 40 from the new interchange to Highway 70. The new road named Tennessee Avenue is also near completion. This new road is being funded by City Bond issues and a \$4 million local interstate connector grant from the State of Tennessee.

Subsequent to June 30, 2017 the City issued additional general obligation bonds in the amount of \$2,800,000. The proceeds are to be used for the completion of Tennessee Avenue and design on a new police headquarters. Moody's upgraded the City's bond rating from AA3 to AA2. An additional bond issue is planned for late 2018 to be used for construction of a new police headquarters.

The city's economy is experiencing growth with momentum that is crossing all sectors. Building permits are up. New to market retail is planned as well as a downtown hotel/convention center. Construction of new single family and multi-family homes is occurring at a strong pace. The property tax base has seen and continues to see strong growth.

All these factors were considered in adopting the general fund budget for fiscal year 2018. The city has budgeted a 2.8% increase in revenues and a .97% increase in operating expenditures for fiscal year 2018 over the 2017 budget.

Contacting the City's Financial Management.

- This financial summary is designed to provide a general overview of the City of Cookeville's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Cookeville, 45 East Broad Street, Cookeville, TN, 38503.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF NET POSITION
June 30, 2017

	Primary Government			Component Units		Total Reporting Entity
	Governmental Activities	Business-Type Activities	Total	CRM*	PBA	
<u>Assets</u>						
Current assets:						
Cash	\$ 30,479,427	\$ 22,563,194	\$ 53,042,621	\$ 44,362,364	\$ 61,283	\$ 97,466,268
Sinking fund cash	-	767,960	767,960	-	-	767,960
Temporary cash investments	7,886,002	10,190,025	18,076,027	502,782	-	18,578,809
Accounts receivable, net of allowance	165,108	8,997,706	9,162,814	26,455,801	3,006	35,621,621
Taxes receivable, net of allowance	7,286,008	-	7,286,008	-	-	7,286,008
Other receivables	2,449,255	-	2,449,255	1,231,058	-	3,680,313
Due from other funds	(191,547)	191,547	-	-	-	-
Inventories	-	2,396,335	2,396,335	8,918,882	-	11,315,217
Prepaid expenses and other current assets	5,862	1,222,340	1,228,202	4,214,054	884	5,443,140
Total current assets	48,080,115	46,329,107	94,409,222	85,684,941	65,173	180,159,336
Noncurrent assets:						
Notes receivable, net of allowance	-	569,274	569,274	-	-	569,274
Water storage rights	-	1,596,230	1,596,230	-	-	1,596,230
Equity interest in joint venture	3,820,400	-	3,820,400	1,018,236	-	4,838,636
Long-term investments	-	-	-	9,514,928	-	9,514,928
Net pension asset	-	-	-	8,048,708	-	8,048,708
Other assets	-	30,710	30,710	10,159,197	-	10,189,907
Capital assets:						
Land and construction in progress	21,151,837	8,622,097	29,773,934	20,157,327	-	49,931,261
Other capital assets, net of accumulated depreciation	33,579,235	106,317,298	139,896,533	142,747,668	162,728	282,806,929
Total noncurrent assets	58,551,472	117,135,609	175,687,081	191,646,064	162,728	367,495,873
Total assets	106,631,587	163,464,716	270,096,303	277,331,005	227,901	547,655,209
<u>Deferred Outflows of Resources</u>						
Net pension changes in investment earnings	2,592,125	1,030,926	3,623,051	3,514,123	-	7,137,174
Pension contributions made after measurement date	2,356,092	1,106,981	3,463,073	2,464,719	-	5,927,792
Total deferred outflows of resources	4,948,217	2,137,907	7,086,124	5,978,842	-	13,064,966
<u>Liabilities</u>						
Current liabilities:						
Accounts payable	1,425,310	5,196,462	6,621,772	8,287,551	12,755	14,922,078
Health claims payable	208,267	-	208,267	-	-	208,267
Current portion of long-term debt	2,181,666	2,589,911	4,771,577	3,260,001	-	8,031,578
Current portion of water storage rights payable	-	91,684	91,684	-	-	91,684
Accrued expenses	544,856	52,805	597,661	14,499,774	6,700	15,104,135
Deferred revenue	62,489	45,333	107,822	-	-	107,822
Estimated amounts due to third-party payers	-	-	-	4,073,534	-	4,073,534
Other current liabilities	-	56,631	56,631	-	61,383	118,014
Total current liabilities	4,422,588	8,032,826	12,455,414	30,120,860	80,838	42,657,112
Noncurrent liabilities:						
Compensated absences	953,889	419,009	1,372,898	-	-	1,372,898
TVA heat pump notes payable	-	570,040	570,040	-	-	570,040
Water storage rights payable	-	1,738,255	1,738,255	-	-	1,738,255
Net other post-employment liability	12,654,738	4,494,181	17,148,919	-	-	17,148,919
Net pension liability	15,907,645	4,706,109	20,613,754	-	-	20,613,754
Other non-current liabilities	755,219	447,590	1,202,809	-	-	1,202,809
Long-term debt, less current portion	18,957,000	8,498,708	27,455,708	68,834,999	-	96,290,707
Total noncurrent liabilities	49,228,491	20,873,892	70,102,383	68,834,999	-	138,937,382
Total liabilities	53,651,079	28,906,718	82,557,797	98,955,859	80,838	181,594,494
<u>Deferred Inflows of Resources</u>						
Pension changes in experience	631,747	256,491	888,238	3,852,986	-	4,741,224
Unavailable property taxes	7,268,187	-	7,268,187	-	-	7,268,187
Total deferred inflows of resources	7,899,934	256,491	8,156,425	3,852,986	-	12,009,411
<u>Net position</u>						
Net investment in capital assets	35,620,017	103,850,776	139,470,793	90,809,995	162,728	230,443,516
Restricted for:						
Drug Fund	226,487	-	226,487	-	-	226,487
Highways and streets	1,052,617	-	1,052,617	-	-	1,052,617
Debt service	10,751,368	-	10,751,368	-	-	10,751,368
Sanitation	802,859	-	802,859	-	-	802,859
Equity interest in joint venture	3,820,400	-	3,820,400	8,048,708	-	11,869,108
Unrestricted (deficit)	(2,244,957)	32,588,638	30,343,681	81,642,299	(15,665)	111,970,315
Total net position	\$ 50,028,791	\$ 136,439,414	\$ 186,468,205	\$ 180,501,002	\$ 147,063	\$ 367,116,270

*Audited by other auditors
The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED June 30, 2017

		Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Function/program activities	Expenses				
Primary government:					
Governmental activities:					
General government	\$ 3,241,433	\$ 117,456	\$ 45,122		\$ (3,078,855)
Economic development	24,156	-	-		(24,156)
Planning and codes	1,407,457	599,965	-		(807,492)
Public safety	18,266,399	599,557	298,548	\$ 237,555	(17,130,739)
Parks & maintenance	1,508,671	-	-		(1,508,671)
Public works	7,428,954	1,690,975	938,104	2,193,866	(2,606,009)
Culture and recreation	2,616,313	268,310	1,425	599,587	(1,746,991)
Community support	763,749	-	-	-	(763,749)
Interest on long-term debt	594,297	-	-	-	(594,297)
Total governmental activities	<u>35,851,429</u>	<u>3,276,263</u>	<u>1,283,199</u>	<u>3,031,008</u>	<u>(28,260,959)</u>
Business-type activities:					
Electric	51,287,854	55,060,243	-	-	3,772,389
Gas	8,942,850	8,373,498	-	-	(569,352)
Water quality control	<u>12,292,562</u>	<u>14,318,821</u>	<u>-</u>	<u>-</u>	<u>2,026,259</u>
Total business-type activities	<u>72,523,266</u>	<u>77,752,562</u>	<u>-</u>	<u>-</u>	<u>5,229,296</u>
Total primary government	<u>\$ 108,374,695</u>	<u>\$ 81,028,825</u>	<u>\$ 1,283,199</u>	<u>\$ 3,031,008</u>	<u>\$ (23,031,663)</u>
Component units:					
CRMC*	\$ 294,712,147	\$ 295,129,727			\$ 417,580
PBA	<u>209,162</u>	<u>217,663</u>			<u>8,501</u>
Total component units	<u>\$ 294,921,309</u>	<u>\$ 295,347,390</u>			<u>\$ 426,081</u>

*Audited by other auditors

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED June 30, 2017

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	CRMC*	PBA
Change in net position:					
Net (expense) revenue	\$ (28,260,959)	\$ 5,229,296	\$ (23,031,663)	\$ 417,580	\$ 8,501
General revenues:					
Taxes:					
Property tax	7,340,383	-	7,340,383	-	-
In lieu of tax	1,258,118	-	1,258,118	-	-
Business tax	1,308,113	-	1,308,113	-	-
State sales tax	2,582,904	-	2,582,904	-	-
Franchise tax	303,258	-	303,258	-	-
Local option sales tax	12,868,534	-	12,868,534	-	-
Wholesale beer tax	1,136,918	-	1,136,918	-	-
Wholesale liquor tax	421,183	-	421,183	-	-
State income tax	387,851	-	387,851	-	-
Mixed drink tax	179,320	-	179,320	-	-
Other taxes	124,692	-	124,692	-	-
Interest revenue	195,130	205,767	400,897	-	6
Investment income (loss)	(97,779)	-	(97,779)	415,903	-
Gain (loss) on sale of assets	273,034	-	273,034	(348,494)	-
Federal subsidy	68,536	-	68,536	-	-
Other, net	517,029	-	517,029	165,264	-
Transfers	1,551,558	(1,551,558)	-	-	-
Total general revenues	<u>30,418,782</u>	<u>(1,345,791)</u>	<u>29,072,991</u>	<u>232,673</u>	<u>6</u>
Change in net position	2,157,823	3,883,505	6,041,328	650,253	8,507
Net position - beginning	<u>47,870,968</u>	<u>132,555,909</u>	<u>180,426,877</u>	<u>179,850,749</u>	<u>138,556</u>
Net position - ending	<u>\$ 50,028,791</u>	<u>\$ 136,439,414</u>	<u>\$ 186,468,205</u>	<u>\$ 180,501,002</u>	<u>\$ 147,063</u>

*Audited by other auditors

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

<u>Assets</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Cash	\$ 14,599,217	\$ 7,693,480	\$ 3,549,104	\$ 3,135,347	\$ 28,977,148
Temporary cash investments	2,396,450	3,105,769	4	522,144	6,024,367
Accounts receivable	-	-	-	165,641	165,641
Taxes receivable	6,552,317	350,347	-	788,281	7,690,945
Other receivables	1,919,504	230,645	188,128	110,978	2,449,255
Less: allowance for bad debts	(386,605)	(5,641)	-	(13,224)	(405,470)
Due from other funds	255,085	9,661	-	13,387	278,133
Prepaid expenses	4,544	-	-	-	4,544
Total assets	<u>\$ 25,340,512</u>	<u>\$ 11,384,261</u>	<u>\$ 3,737,236</u>	<u>\$ 4,722,554</u>	<u>\$ 45,184,563</u>
<u>Liabilities</u>					
Accounts payable	\$ 657,062	\$ 30	\$ 599,491	\$ 162,513	\$ 1,419,096
Accrued expenses	507,333	-	-	-	507,333
Due to other funds	23,048	-	-	52,472	75,520
Unearned revenue	-	-	10,000	42,489	52,489
Other liabilities	237,581	-	-	267,004	504,585
Total liabilities	<u>1,425,024</u>	<u>30</u>	<u>609,491</u>	<u>524,478</u>	<u>2,559,023</u>
<u>Deferred Inflows of Resources</u>					
Unavailable property taxes	<u>6,147,892</u>	<u>344,706</u>	<u>-</u>	<u>775,589</u>	<u>7,268,187</u>
Total deferred inflows of resources	<u>6,147,892</u>	<u>344,706</u>	<u>-</u>	<u>775,589</u>	<u>7,268,187</u>
<u>Fund Balances</u>					
Nonspendable	4,544	-	-	-	4,544
Restricted	-	-	2,027,611	2,081,963	4,109,574
Committed	-	11,039,525	-	1,340,524	12,380,049
Unassigned	<u>17,763,052</u>	<u>-</u>	<u>1,100,134</u>	<u>-</u>	<u>18,863,186</u>
Total fund balances	<u>17,767,596</u>	<u>11,039,525</u>	<u>3,127,745</u>	<u>3,422,487</u>	<u>35,357,353</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 25,340,512</u>	<u>\$ 11,384,261</u>	<u>\$ 3,737,236</u>	<u>\$ 4,722,554</u>	<u>\$ 45,184,563</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
FOR THE YEAR ENDED June 30, 2017

Total fund balance - total governmental funds \$ 35,357,353

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental capital assets	101,296,912	
Less: accumulated depreciation	<u>(46,565,840)</u>	54,731,072

Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Equity interest in joint venture		3,820,400
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Interest payable is not payable from current financial resources and therefore is not reported in the governmental funds.		(37,523)
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the governmental funds.

Governmental bonds payable	(17,010,000)	
Governmental notes payable	(4,128,666)	
Unamortized bond premium	(250,634)	
Net pension liability	(12,654,738)	
Net other post-employment liability	(15,907,645)	
Compensated absences	<u>(953,889)</u>	(50,905,572)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be amortized and recognized as components of pension expense in future years.

Add: deferred outflows of resources related to pensions	4,948,217	
Less: deferred inflows of resources related to pensions	<u>(631,747)</u>	4,316,470

Internal Service Fund is used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the Internal Service Fund are reported with the governmental activities.

2,746,591

Net position of governmental activities		<u>\$ 50,028,791</u>
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The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED June 30, 2017

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 22,807,332	\$ 1,057,718		\$ 771,457	\$ 24,636,507
Licenses and permits	678,293	-		-	678,293
Intergovernmental	1,196,633	2,651,440	\$ 1,871,626	1,661,138	7,380,837
Charges for services	280,526	-	-	1,747,252	2,027,778
Fines, forfeitures and penalties	399,988	-	-	142,332	542,320
Rent	1,700	26,172	-	-	27,872
Interest	98,019	69,724	8,057	19,330	195,130
Other	495,724	-	-	49,033	544,757
Total revenues	<u>25,958,215</u>	<u>3,805,054</u>	<u>1,879,683</u>	<u>4,390,542</u>	<u>36,033,494</u>
Expenditures:					
Current					
General government	3,035,053	-	104	-	3,035,157
Economic development	-	-	-	24,156	24,156
Public safety	12,681,843	-	-	314,121	12,995,964
Planning and codes	1,326,866	-	-	-	1,326,866
Parks and maintenance	1,351,342	-	-	-	1,351,342
Public works	2,938,088	-	14,827	2,220,330	5,173,245
Culture and recreation	1,694,314	-	-	634,319	2,328,633
Community support	755,749	-	-	8,000	763,749
Capital outlay	1,211,839	-	6,390,823	695,262	8,297,924
Debt service	-	3,021,260	-	-	3,021,260
Total expenditures	<u>24,995,094</u>	<u>3,021,260</u>	<u>6,405,754</u>	<u>3,896,188</u>	<u>38,318,296</u>
Excess (deficiency) of revenues over (under) expenditures	<u>963,121</u>	<u>783,794</u>	<u>(4,526,071)</u>	<u>494,354</u>	<u>(2,284,802)</u>
Other financing sources (uses):					
Interfund transfers in	1,724,295	-	-	88,000	1,812,295
Interfund transfers (out)	(88,000)	-	-	(82,424)	(170,424)
Sale of assets	289,600	-	-	8,140	297,740
Net other financing sources	<u>1,925,895</u>	<u>-</u>	<u>-</u>	<u>13,716</u>	<u>1,939,611</u>
Net change in fund balances	2,889,016	783,794	(4,526,071)	508,070	(345,191)
Fund balances, July 1, 2016	<u>14,878,580</u>	<u>10,255,731</u>	<u>7,653,816</u>	<u>2,914,417</u>	<u>35,702,544</u>
Fund balances, June 30, 2017	<u>\$ 17,767,596</u>	<u>\$ 11,039,525</u>	<u>\$ 3,127,745</u>	<u>\$ 3,422,487</u>	<u>\$ 35,357,353</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED June 30, 2017

Net change in fund balances - total governmental funds \$ (345,191)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.

Expenditures for capital assets	8,147,668	
Less: current year depreciation	<u>(2,819,700)</u>	5,327,968

The net effect of various miscellaneous transactions involving capital assets (i.e. sales and donations) is to increase net assets.		123,581
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Bond and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount by which proceeds exceeded repayments.

Principal payments	2,414,667	2,414,667
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Governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement activities for:

Current year amortization	19,023	19,023
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Some items reported in the statement of activities do not provide/require current financial resources and therefore are not reported as revenues/expenses in governmental funds.

Equity in current year earnings of joint venture		(97,779)
Change in accrued interest on long-term debt		3,618
Change in net other post-employment liability		(54,119)
Change in accrued compensated absences		(1,840,017)
Change in net pension liability		(7,171,676)
Change in deferred outflows related to pensions		209,618
Change in deferred inflows related to pensions		3,331,777

Internal Service Fund is used by management to charge the costs of certain activities to individual funds. The change in net position of the Internal Service Funds is allocated to the governmental activities and business-type activities.

		<u>236,353</u>
Change in net position of governmental activities		<u>\$ 2,157,823</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	Business-type Activities/Enterprise Funds				Governmental Activities Internal Service Fund
	Cookeville Electric Department	Cookeville Gas Department	Cookeville Water Quality Control Department	Totals	
Assets and Deferred Outflows of Resources					
Current assets:					
Cash	\$ 7,640,201	\$ 8,689,108	\$ 6,233,885	\$ 22,563,194	\$ 1,502,279
Sinking fund cash	767,960	-	-	767,960	-
Temporary cash investments	2,811,365	4,360,979	3,017,681	10,190,025	1,861,635
Accounts receivable, net of allowance	6,509,611	625,616	1,862,479	8,997,706	-
Deposits with TDOT	-	143,550	633,907	777,457	-
Inventory of material and supplies	1,030,615	784,536	581,184	2,396,335	-
Due from other funds	25,667	-	-	25,667	-
Prepaid expenses and other current assets	430,712	8,258	5,913	444,883	1,318
Total current assets	19,216,131	14,612,047	12,335,049	46,163,227	3,365,232
Noncurrent assets:					
Capital assets, non-depreciable	1,822,051	1,550,695	5,249,351	8,622,097	-
Capital assets, depreciable	66,364,486	21,235,766	115,941,539	203,541,791	-
Less: accumulated depreciation	(22,834,654)	(14,250,012)	(60,139,827)	(97,224,493)	-
	45,351,883	8,536,449	61,051,063	114,939,395	-
Notes receivable	569,274	-	-	569,274	-
Water storage rights	-	-	1,596,230	1,596,230	-
Other assets	30,710	-	-	30,710	-
Total noncurrent assets	45,951,867	8,536,449	62,647,293	117,135,609	-
Deferred outflows of resources:					
Pension outflow	1,373,379	439,930	1,286,074	3,099,383	-
Total deferred outflows of resources	1,373,379	439,930	1,286,074	3,099,383	-
Total assets and deferred outflows of resources	\$ 66,541,377	\$ 23,588,426	\$ 76,268,416	\$ 166,398,219	\$ 3,365,232
Liabilities, Deferred Inflows of Resources and Net Position					
Current liabilities:					
Accounts payable	\$ 4,038,004	\$ 499,244	\$ 659,214	\$ 5,196,462	\$ 6,214
Health claims payable	-	-	-	-	208,267
Due to other funds	123,494	39,739	65,047	228,280	-
Current portion of long-term debt	1,661,000	-	928,911	2,589,911	-
Current portion of water storage rights payable	-	-	91,684	91,684	-
Accrued expenses	15,598	-	37,207	52,805	-
Unearned revenue	-	45,333	-	45,333	10,000
Other current liabilities	10,822	11,734	34,075	56,631	-
Total current liabilities	5,848,918	596,050	1,816,138	8,261,106	224,481
Noncurrent liabilities:					
Compensated absences	158,511	68,673	191,825	419,009	-
TVA heat pump notes payable	570,040	-	-	570,040	-
Water storage rights payable	-	-	1,738,255	1,738,255	-
Net other post-retirement liability	1,701,470	660,149	2,132,562	4,494,181	-
Net pension liability	2,175,013	586,931	1,944,165	4,706,109	-
Long-term debt, less current portion	5,499,000	-	2,999,708	8,498,708	-
Other non-current liabilities	391,590	56,000	-	447,590	-
Total noncurrent liabilities	10,495,624	1,371,753	9,006,515	20,873,892	-
Deferred inflows of resources:					
Pension inflow	564,581	150,827	502,559	1,217,967	-
Total deferred inflows of resources	564,581	150,827	502,559	1,217,967	-
Total liabilities and deferred inflows of resources	16,909,123	2,118,630	11,325,212	30,352,965	224,481
Net position:					
Net investment in capital assets	38,191,883	8,536,449	57,122,444	103,850,776	-
Unrestricted	11,440,371	12,933,347	7,820,760	32,194,478	3,140,751
Total net position	49,632,254	21,469,796	64,943,204	136,045,254	3,140,751
Total liabilities, deferred inflows, and net position	\$ 66,541,377	\$ 23,588,426	\$ 76,268,416	\$ 166,398,219	\$ 3,365,232

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED June 30, 2017

	Business-type Activities/Enterprise Funds				Governmental Activities Internal Service Fund
	Cookeville Electric Department	Cookeville Gas Department	Cookeville Water Quality Control Department	Totals	
Operating revenues:					
Charges for services	\$ 53,860,905	\$ 8,144,857	\$ 13,675,930	\$ 75,681,692	\$ 4,769,349
Other operating revenue	1,199,338	228,641	642,891	2,070,870	57,373
Total operating revenues	<u>55,060,243</u>	<u>8,373,498</u>	<u>14,318,821</u>	<u>77,752,562</u>	<u>4,826,722</u>
Operating expenses:					
Purchased utilities	43,642,107	6,453,529	-	50,095,636	-
Operating expenses	2,644,057	1,010,471	3,306,628	6,961,156	-
Maintenance expenses	976,089	86,922	523,301	1,586,312	-
Depreciation and amortization	2,898,321	665,412	3,269,820	6,833,553	-
Utilities	-	-	1,788,478	1,788,478	-
Administrative and general expenses	1,080,710	740,697	3,298,621	5,120,028	535,451
Health claims	-	-	-	-	3,970,669
Facilities rental	-	-	-	-	-
Total operating expenses	<u>51,241,284</u>	<u>8,957,031</u>	<u>12,186,848</u>	<u>72,385,163</u>	<u>4,506,120</u>
Operating income	<u>3,818,959</u>	<u>(583,533)</u>	<u>2,131,973</u>	<u>5,367,399</u>	<u>320,602</u>
Nonoperating revenues (expenses):					
Interest revenue	68,167	76,667	60,933	205,767	17,045
Interest expense	(89,114)	-	(150,283)	(239,397)	-
Total nonoperating revenues (expenses)	<u>(20,947)</u>	<u>76,667</u>	<u>(89,350)</u>	<u>(33,630)</u>	<u>17,045</u>
Capital asset transfer	-	-	90,313	90,313	-
Interfund transfers (out)	<u>(1,185,468)</u>	<u>(176,699)</u>	<u>(279,704)</u>	<u>(1,641,871)</u>	<u>-</u>
Change in net position	2,612,544	(683,565)	1,853,232	3,782,211	337,647
Total net position, July 1, 2016	<u>47,019,710</u>	<u>22,153,361</u>	<u>63,089,972</u>	<u>132,263,043</u>	<u>2,803,104</u>
Total net position, June 30, 2017	<u>\$ 49,632,254</u>	<u>\$ 21,469,796</u>	<u>\$ 64,943,204</u>	<u>\$ 136,045,254</u>	<u>\$ 3,140,751</u>
Reconciliation of changes in net position to statement of activities:					
Total changes in net position of business-type activities				\$ 3,782,211	
Net income (loss) of internal service fund related to business-type activities				<u>101,294</u>	
Changes in business-type net position included in the statement of activities				<u>\$ 3,883,505</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED June 30, 2017

	Business-type Activities/Enterprise Funds				Governmental Activities
	Cookeville Electric Department	Cookeville Gas Department	Cookeville Water Quality Control Department	Totals	Internal Service Fund
Cash flows from operating activities:					
Cash receipts from customers	\$ 53,602,404	\$ 8,011,821	\$ 13,585,094	\$ 75,199,319	\$ 4,769,349
Cash receipts from customer service charges	561,279	148,084	642,891	1,352,254	-
Other operating cash receipts	464,625	80,558	-	545,183	57,373
Cash payments to suppliers of goods and services	(45,016,976)	(6,596,406)	-	(51,613,382)	-
Cash payments to employees for services	(2,787,798)	(874,966)	(1,052,284)	(4,715,048)	-
Cash payments for interfund services used	(397,610)	(274,351)	(600,150)	(1,272,111)	-
Cash payments for maintenance expenses	(917,229)	(86,923)	(523,301)	(1,527,453)	-
Cash payments for claims	-	-	-	-	(3,839,448)
Utilities and other operating cash payments	(383,336)	(624,415)	(6,290,053)	(7,297,804)	(535,451)
Net cash provided by (used in) operating activities	<u>5,125,359</u>	<u>(216,598)</u>	<u>5,762,197</u>	<u>10,670,958</u>	<u>451,823</u>
Cash flows from noncapital financing activities:					
Interfund transfers (out)	(1,185,468)	(176,699)	(279,704)	(1,641,871)	-
Net cash (used in) noncapital financing activities	<u>(1,185,468)</u>	<u>(176,699)</u>	<u>(279,704)</u>	<u>(1,641,871)</u>	<u>-</u>
Cash flows from capital and related financing activities:					
Cash payments for interest	(89,562)	-	(152,445)	(242,007)	-
Reduction of long-term debt	(1,636,000)	-	(1,506,237)	(3,142,237)	-
Acquisition and construction of capital assets	(2,230,074)	(222,012)	(4,394,987)	(6,847,073)	-
Other capital asset adjustments	(135,356)	-	-	(135,356)	-
Net cash (used in) capital and related financing activities	<u>(4,090,992)</u>	<u>(222,012)</u>	<u>(6,053,669)</u>	<u>(10,366,673)</u>	<u>-</u>
Cash flows from investing activities:					
(Increase) in temporary cash investments	(127,501)	(22,408)	(330,221)	(480,130)	(9,565)
Cash receipts from interest	<u>68,168</u>	<u>71,471</u>	<u>57,521</u>	<u>197,160</u>	<u>16,024</u>
Net cash provided by (used in) investing activities	<u>(59,333)</u>	<u>49,063</u>	<u>(272,700)</u>	<u>(282,970)</u>	<u>6,459</u>
Net increase (decrease) in cash and cash equivalents	(210,434)	(566,246)	(843,876)	(1,620,556)	458,282
Cash and cash equivalents, July 1, 2016	8,618,595	9,255,354	7,077,761	24,951,710	1,043,997
Cash and cash equivalents, June 30, 2017	<u>\$ 8,408,161</u>	<u>\$ 8,689,108</u>	<u>\$ 6,233,885</u>	<u>\$ 23,331,154</u>	<u>\$ 1,502,279</u>
Reconciliation of operating income to net cash provided by operating activities:					
Operating income (loss)	\$ 3,818,959	\$ (583,533)	\$ 2,131,973	\$ 5,367,399	\$ 320,602
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation and amortization	2,898,321	665,412	3,269,820	6,833,553	-
(Increase) in accounts receivable	(191,917)	(109,996)	(49,637)	(351,550)	-
Decrease in due from other funds	62,114	-	-	62,114	-
(Increase) in inventory of material and supplies	(200,245)	(212,754)	(46,893)	(459,892)	-
(Increase) in prepaid expenses and other current assets	(33,372)	-	-	(33,372)	-
Decrease in other assets	4,179	-	-	4,179	-
(Increase) in deferred outflows	(468,963)	(159,460)	(456,503)	(1,084,926)	-
Decrease in other receivables	61,673	-	-	61,673	190,414
Increase (decrease) in accounts payable	(1,170,251)	72,106	366,817	(731,328)	4,327
Increase in net pension liability	507,017	150,091	468,039	1,125,147	-
(Decrease) in health claims payable	-	-	-	-	(63,520)
(Decrease) in TVA notes payable	(62,047)	-	-	(62,047)	-
Increase (decrease) in accrued expenses and compensated absences	(696)	5,385	12,349	17,038	-
Increase in net other post-retirement liability	185,275	81,717	226,424	493,416	-
Increase (decrease) in due to other funds	(102,777)	(76,927)	6,638	(173,066)	-
(Decrease) in deferred inflows	(192,042)	(46,639)	(166,830)	(405,511)	-
Increase (decrease) in other non-current liabilities	10,131	(2,000)	-	8,131	-
Net cash provided by (used in) operating activities	<u>\$ 5,125,359</u>	<u>\$ (216,598)</u>	<u>\$ 5,762,197</u>	<u>\$ 10,670,958</u>	<u>\$ 451,823</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE, BUDGET AND ACTUAL DETAIL - GENERAL FUND
FOR THE YEAR ENDED June 30, 2017

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance-</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Taxes :				
Property taxes current	\$ 5,679,882	\$ 5,754,882	\$ 5,893,202	\$ 138,320
Property taxes delinquent	200,000	200,000	242,336	42,336
Property taxes penalty & interest	45,000	45,000	75,670	30,670
In lieu of tax- Highlands Residential	40,000	40,000	51,204	11,204
In lieu of tax- Laurel Creek	600	600	711	111
In lieu of tax- Russell Stover	46,000	46,000	44,973	(1,027)
In lieu of tax- Academy LTD	58,000	58,000	47,221	(10,779)
In lieu of tax - Ficosa	62,500	62,500	62,500	-
In lieu of tax- TVA	360,000	360,000	351,509	(8,491)
Local option sales tax	12,759,253	12,759,253	12,868,534	109,281
Wholesale beer tax	1,100,000	1,100,000	1,136,918	36,918
Wholesale liquor tax	350,000	350,000	421,183	71,183
Business tax	1,190,610	1,190,610	1,308,113	117,503
Cable TV Franchise tax	285,000	285,000	303,258	18,258
Total taxes	<u>22,176,845</u>	<u>22,251,845</u>	<u>22,807,332</u>	<u>555,487</u>
Licenses and permits:				
Beer permits	5,892	5,892	6,050	158
Beer license	12,223	12,223	12,942	719
Liquor license	36,909	36,909	35,977	(932)
Building permits	150,000	200,000	287,944	87,944
Electrical permits	45,000	45,000	103,134	58,134
Plumbing permits	15,000	15,000	56,675	41,675
Mechanical permits	19,500	19,500	49,825	30,325
Plan review fees	34,500	34,500	72,828	38,328
Fireworks permits	12,228	12,228	15,200	2,972
Miscellaneous permits	24,202	24,202	37,718	13,516
Total licenses and permits	<u>355,454</u>	<u>405,454</u>	<u>678,293</u>	<u>272,839</u>
Intergovernmental:				
State excise tax	45,000	45,000	106,228	61,228
State income tax	300,000	500,000	387,851	(112,149)
State beer tax	14,900	14,900	15,042	142
Mixed drink tax	150,000	150,000	179,320	29,320
Gasoline inspection fee	61,465	61,465	62,963	1,498
Telecommunications sales tax	3,000	3,000	3,422	422
Training supplement	78,600	78,600	70,200	(8,400)
Grants-other	32,000	407,452	371,607	(35,845)
Total intergovernmental	<u>\$ 684,965</u>	<u>\$ 1,260,417</u>	<u>\$ 1,196,633</u>	<u>\$ (63,784)</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL DETAIL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED June 30, 2017

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance-</u> <u>Favorable</u> <u>(Unfavorable)</u>
Revenues:				
Charges for services:				
Clerk's fee	\$ 12,265	\$ 12,265	\$ 11,256	\$ (1,009)
Recreation concessions	55,794	55,794	61,279	5,485
Recreational rentals/admissions	126,933	126,933	141,104	14,171
Daycamp fees	59,918	59,918	65,927	6,009
Miscellaneous	835	835	960	125
Total charges for services	<u>255,745</u>	<u>255,745</u>	<u>280,526</u>	<u>24,781</u>
Fines, forfeitures and penalties:				
Court fines and fees	247,438	247,438	368,239	120,801
Parking violations	3,184	3,184	1,716	(1,468)
Other	27,406	27,406	30,033	2,627
Total fines and costs	<u>278,028</u>	<u>278,028</u>	<u>399,988</u>	<u>121,960</u>
Miscellaneous:				
Interest	17,450	17,450	98,019	80,569
Rent	15,175	15,175	1,700	(13,475)
Contributions	250	8,250	5,253	(2,997)
Admin charges to other funds	423,272	423,272	419,160	(4,112)
Other	33,380	33,380	71,311	37,931
Total miscellaneous	<u>489,527</u>	<u>497,527</u>	<u>595,443</u>	<u>97,916</u>
Total revenues	<u>\$ 24,240,564</u>	<u>\$ 24,949,016</u>	<u>\$ 25,958,215</u>	<u>\$ 1,009,199</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL DETAIL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED June 30, 2017

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance-</u> <u>Favorable</u> <u>(Unfavorable)</u>
Expenses:				
General government:				
Salaries and wages	\$ 1,148,502	\$ 1,148,502	\$ 1,120,435	\$ 28,067
Payroll taxes and fringes	543,642	543,642	518,235	25,407
Contractual services	132,000	132,000	124,403	7,597
Utilities	1,040,400	1,040,400	1,026,918	13,482
Supplies and maintenance	223,000	223,000	161,667	61,333
Fixed charges	14,620	14,620	6,236	8,384
Miscellaneous	<u>31,500</u>	<u>90,497</u>	<u>77,159</u>	<u>13,338</u>
Total general government	<u>3,133,664</u>	<u>3,192,661</u>	<u>3,035,053</u>	<u>157,608</u>
Public safety:				
Police:				
Salaries and wages	4,963,000	4,963,000	4,685,905	277,095
Payroll taxes and fringes	2,381,928	2,381,928	2,219,078	162,850
Supplies and maintenance	873,500	873,500	678,486	195,014
Fixed charges	152,400	152,400	105,248	47,152
Miscellaneous	<u>13,500</u>	<u>112,500</u>	<u>86,822</u>	<u>25,678</u>
Total police	<u>8,384,328</u>	<u>8,483,328</u>	<u>7,775,539</u>	<u>707,789</u>
Fire:				
Salaries and wages	3,000,200	3,220,200	3,054,844	165,356
Payroll taxes and fringes	1,443,360	1,483,360	1,420,201	63,159
Supplies and maintenance	381,361	381,361	305,369	75,992
Fixed charges	63,900	113,900	120,857	(6,957)
Miscellaneous	<u>5,000</u>	<u>5,000</u>	<u>5,033</u>	<u>(33)</u>
Total fire	<u>4,893,821</u>	<u>5,203,821</u>	<u>4,906,304</u>	<u>297,517</u>
Total public safety	<u>\$ 13,278,149</u>	<u>\$ 13,687,149</u>	<u>\$ 12,681,843</u>	<u>\$ 1,005,306</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL DETAIL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED June 30, 2017

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	Variance- Favorable (Unfavorable)
Planning and codes:				
Salaries and wages	\$ 925,574	\$ 903,874	\$ 882,394	\$ 21,480
Payroll taxes and fringes	365,508	365,508	332,178	33,330
Supplies and maintenance	99,600	108,300	84,327	23,973
Fixed charges	6,142	25,142	25,682	(540)
Miscellaneous	<u>3,000</u>	<u>3,000</u>	<u>2,285</u>	<u>715</u>
Total planning and codes	<u>1,399,824</u>	<u>1,405,824</u>	<u>1,326,866</u>	<u>78,958</u>
Parks and maintenance:				
Salaries and wages	833,800	833,800	810,521	23,279
Payroll taxes and fringes	382,606	382,606	334,842	47,764
Supplies and maintenance	203,500	203,500	191,454	12,046
Fixed charges	19,760	19,760	14,056	5,704
Miscellaneous	<u>200</u>	<u>200</u>	<u>469</u>	<u>(269)</u>
Total parks and maintenance	<u>1,439,866</u>	<u>1,439,866</u>	<u>1,351,342</u>	<u>88,524</u>
Public works:				
Salaries and wages	1,834,750	1,854,750	1,714,285	140,465
Payroll taxes and fringes	824,435	824,435	788,635	35,800
Supplies and maintenance	505,675	505,675	392,064	113,611
Fixed charges	43,652	43,652	28,809	14,843
Miscellaneous	<u>21,250</u>	<u>21,250</u>	<u>14,295</u>	<u>6,955</u>
Total public works	<u>3,229,762</u>	<u>3,249,762</u>	<u>2,938,088</u>	<u>311,674</u>
Capital outlay:				
Capital outlay	<u>1,049,900</u>	<u>1,475,355</u>	<u>1,211,839</u>	<u>263,516</u>
Total capital outlay	<u>\$ 1,049,900</u>	<u>\$ 1,475,355</u>	<u>\$ 1,211,839</u>	<u>\$ 263,516</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL DETAIL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Culture and recreation:				
Salaries and wages	\$ 959,542	\$ 959,542	\$ 934,647	\$ 24,895
Payroll taxes and fringes	395,801	407,301	370,770	36,531
Supplies and maintenance	370,075	370,075	309,118	60,957
Fixed charges	39,750	64,750	61,065	3,685
Miscellaneous	21,300	21,300	18,714	2,586
Total culture and recreation	<u>\$ 1,786,468</u>	<u>\$ 1,822,968</u>	<u>\$ 1,694,314</u>	<u>\$ 128,654</u>
Community Support:				
Nonprofit contributions:				
Putnam County Library	\$ 325,000	\$ 325,000	\$ 325,000	\$ -
Putnam County Imagination Library	10,000	10,000	10,000	-
Cookeville Arts Council	20,000	20,000	20,000	-
Cumberland Arts Society, Inc.	2,000	2,000	2,000	-
Tennessee Rehabilitation Center	53,589	53,589	53,589	-
U C Regional Airport	38,000	38,000	38,000	-
Chamber of Commerce	14,750	14,750	14,750	-
Chamber of Commerce-Highlands	50,000	50,000	50,000	-
Chamber of Commerce-Sports Council	25,000	25,000	25,000	-
Emergency Management Agency	25,400	25,400	25,400	-
WCTE Public Television	10,000	10,000	10,000	-
Operation CityScape	40,306	40,306	40,306	-
Genesis House, Inc.	12,000	12,000	12,000	-
Stephens Center for Child Abuse	5,000	5,000	5,000	-
Kids Putnam, Inc.	6,000	6,000	6,000	-
Cookeville - PC Clean Commission	9,000	9,000	9,000	-
Helping Hands of Putnam County	12,000	12,000	12,000	-
Cookeville Senior Citizens	47,530	47,530	47,530	-
UC Family Justice Center	8,250	8,250	8,250	-
UC Child Advocacy Center	6,000	6,000	6,000	-
TN Central Heritage Rail Trail	7,424	7,424	7,424	-
Thirteenth Judicial District Recovery Courts	15,000	15,000	15,000	-
Putnam County Veterans Organization	6,000	6,000	6,000	-
UCHRA - CASA	2,500	2,500	2,500	-
UCHRA - Meals on Wheels	2,000	2,000	2,000	-
Veterans Honor Guard	3,000	3,000	3,000	-
Total community support	<u>\$ 755,749</u>	<u>\$ 755,749</u>	<u>\$ 755,749</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE, BUDGET AND ACTUAL DETAIL (CONTINUED)
GENERAL FUND
FOR THE YEAR ENDED June 30, 2017

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Total expenditures	\$ 26,073,382	\$ 27,029,334	\$ 24,995,094	\$ 2,034,240
Excess (deficiency) of revenues over (under) expenditures	<u>(1,832,818)</u>	<u>(2,080,318)</u>	<u>963,121</u>	<u>3,043,439</u>
Other financing sources (uses):				
Interfund transfers in	1,695,992	1,695,992	1,724,295	28,303
Interfund transfers (out)	(88,000)	(88,000)	(88,000)	-
Sale of assets	<u>-</u>	<u>270,000</u>	<u>289,600</u>	<u>19,600</u>
Net other financing sources	<u>1,607,992</u>	<u>1,877,992</u>	<u>1,925,895</u>	<u>47,903</u>
Net change in fund balance	\$ <u>(224,826)</u>	\$ <u>(202,326)</u>	2,889,016	\$ <u>3,091,342</u>
Fund balance, July 1, 2016			<u>14,878,580</u>	
Fund balance, June 30, 2017			<u>\$ 17,767,596</u>	

The accompanying notes are an integral part of these financial statements.

CITY OF COOKEVILLE, TENNESSEE

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The City of Cookeville, Tennessee (the City) was incorporated under Chapter 542 of House Bill No. 1082 of 1903, as amended. The City operates under a City Council form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, water, sewer, gas, electric, health, culture and recreation, public improvements, planning and zoning, and general administrative services.

A. Reporting Entity

In evaluating the City as a reporting entity, management has addressed all potential component units for which the City may or may not be financially accountable and, as such, be includable within the City's financial statements. The City (the primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide a specific financial burden to the City. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based upon the application of these criteria, the following is a brief review of each potential component unit included in the government's reporting entity.

Cookeville Regional Medical Center Authority (the Authority) was established by a Private Act of the State of Tennessee legislature during 1999 for the purpose of operating Cookeville Regional Medical Center (Medical Center) and Affiliates and all other hospital, clinical and related health care facilities of the City of Cookeville, Tennessee. The Private Act effectively reconstituted the Board of Trustees of the Medical Center as that of the Authority and granted such powers to the Authority as permitted under the State of Tennessee Private Act Hospital Authority Act of 1996. The initial members of the Board of Trustees of the Authority, a quasi-municipal corporation independent of the City, were the same as those of the Medical Center and were elected by the Cookeville City Council as provided in the Private Act. The Authority is considered a component unit of the City for the City's financial reporting purposes. The Medical Center was originally a department of the City and previously operated as an Enterprise Fund of the City.

The City of Cookeville and the Authority entered into an agreement effective December 10, 1999, which specified the arrangements relative to the Private Act. The Private Act, which created the Authority, was also amended by a subsequent Private Act in May 2000. This amended Private Act clarified the empowerment of the Authority. The Authority has sole and complete authority to operate and control the facilities of the Medical Center. The ownership of the real estate, improvements, tangible personal property, licenses, permits and provider numbers of the Medical Center remain with the City. The Authority also has rights to working capital, including cash, accounts receivable and future revenues, subject to that necessary to

retire indebtedness at the date of the creation of the Authority, and the Authority has the obligation to repay debt of the City with respect to which such assets and revenues have been pledged. There was no change to the basis of assets and liabilities as a result of the creation of the Authority. In addition, approval of the Cookeville City Council is required for all borrowings and purchases of any real property by the Authority. The Cookeville City Council also retains approval authority over the budget of the Medical Center's operations. All rights of the Authority cease upon sale, lease or transfer of the Medical Center by the City.

Operations of the Medical Center consist primarily of a 247-bed acute care hospital providing healthcare services in Putnam County, Tennessee. The Medical Center also owns and operates Highland Rim Home Health Agency.

Due to the significant relationship between the City of Cookeville and Cookeville Regional Medical Center Authority, we have included as part of the notes of these financial statements the notes of Cookeville Regional Medical Center Authority (beginning on page 43) as audited by other auditors.

The City has recorded \$700,000 in payments in lieu of taxes and \$2,865,000 for utilities services from the Medical Center during the year ended June 30, 2017.

The financial statements for Cookeville Regional Medical Center Authority can be obtained by contacting the organization.

The Public Building Authority (PBA) of the City of Cookeville, Tennessee was established as a public non-profit corporation and public instrumentality of the City of Cookeville, Tennessee in accordance with Tennessee Code Annotated Section 12-10-109 for the purpose of operating, maintaining, and managing Town Centre. The appointment of the PBA's directors is subject to confirmation by the city council of the City of Cookeville. All of the facilities of the PBA are owned by the City, without which the PBA would have no means of revenue. The PBA is considered a non-major, discretely presented component unit of the City for the City's financial reporting purposes. The financial statements of the PBA can be obtained by contacting the organization.

B. Government-wide and Fund Financial Statements

Government-wide financial statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the City of Cookeville as a whole. The primary government and component units are presented separately within the financial statements with the focus on the primary government. Individual funds are not displayed but the statements distinguish governmental activities, generally supported by taxes and City general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other

charges to users of the City's services; (2) operating grants and contributions which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets and include fees to developers. These revenues are subject to externally imposed restrictions to these program uses. Taxes and other revenue sources not properly included with program revenues are reported as general revenues.

Fund financial statements

Fund financial statements are provided for governmental and proprietary funds. Major individual governmental and enterprise funds are reported in separate columns with composite columns for nonmajor funds.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide statements report using the economic resources measurement focus, and the accrual basis of accounting; generally including the reclassification or elimination of internal activity (between or within funds). However, internal eliminations do not include utility services provided to City departments. Reimbursements are reported as reductions to expenses. Proprietary fund financial statements and financial statements of City component units also report using this same focus and basis of accounting although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied while grants are recognized when grantor eligibility requirements are met.

Governmental fund financial statements report using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The City considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported as expenditures in the year due.

Major revenue sources susceptible to accrual include: sales and use taxes, hotel/motel taxes, property taxes, franchise taxes (fees), intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of providing goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Payments in lieu of taxes were reported as transfers out of the proprietary funds and transfers in by the general fund. These payments are not equivalent in value to services provided.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

D. Fund Types and Major Funds

The financial transactions of the City are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements.

GASB Statement No. 34 sets forth minimum criteria for the determination of major funds. The City electively added funds, as major funds, which either had debt outstanding or specific community focus.

The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

The City of Cookeville reports the following major funds:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for the payment of principal, interest, and related costs on the City's general obligation debt.

Capital Project Funds - Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds, Special Assessment Funds and Trust Funds). Budgetary restriction is achieved through the bond issues and grant restrictions.

Proprietary Funds

Cookeville Electric Department - The Cookeville Electric Department accounts for the operating activities of the City's electric utilities services.

Cookeville Gas Department - The Cookeville Gas Department accounts for the operating activities of the City's gas utilities services.

Cookeville Water Quality Control Department - The Cookeville Water Quality Control Department accounts for the operating activities of the City's water and sewer utilities services.

Other Funds

Internal Service Fund - Account for the financing of goods or services provided by one department to other departments within the city on a cost-reimbursement basis. This internal services fund is used to collect health insurance premiums and make health claim payments.

E. Budgets and Budgetary Accounting

As set forth in the City Charter, the City Council adopts an annual budget for the General Fund, Special Revenue Fund, Debt Service Fund and Utility Funds. The annual budget for the governmental type funds is prepared in accordance with the basis consistent with GAAP, except that depreciation, certain capital expenses, nonoperating income and expense items are not considered. The City Manager is authorized to transfer budgeted amounts within and among departments; however, any revisions that alter the total expenditures/expenses must be approved by the City Council at year-end. The City Council has amended the 2017 fiscal budget which approved such additional expenditures/expenses. Because the City maintains its budgetary accounting on the GAAP basis, no reconciliation is necessary to reconcile the budgetary basis to the GAAP basis.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded in order to reserve that portion of the applicable appropriation, is not utilized by the City.

G. Statement of Cash Flows

For purposes of the Statement of Cash Flows, cash and cash equivalents are considered to be cash on hand and on deposit with original maturities of less than 90 days.

H. Cash and Investments

Deposits (cash and certificates of deposit) are carried at cost which approximates market value. The carrying amount of deposits is separately displayed on the balance sheet as "cash," "sinking fund cash," and "temporary cash investments." See Note 2 for information describing cash and temporary cash investments.

I. Inventories and Prepaids

Inventories in governmental funds consist of expendable supplies held for consumption stated on a first-in, first-out basis. They are reported at cost which is recorded as an expenditure at the time individual inventory items are used. Proprietary fund and similar component unit inventories are recorded at the lower of cost or market on a first-in, first-out basis.

Prepaids record payments to vendors that benefit future reporting periods and are also reported on the consumption basis. Both inventories and prepaids are similarly reported in government-wide and fund financial statements.

J. Accounts Receivable

An allowance for doubtful accounts has been established based on the amount of accounts receivable that are 90 days or more past due. Accounts are written off when they are deemed uncollectible by management. Accounts are considered to be past due if they have not been collected according to contractual terms. The allowance was approximately \$160,000 for the year ended June 30, 2017.

K. Unbilled Revenue

It is the practice of the utility funds to record revenue on the basis of meter readings. Unbilled revenue, representing utility usage from the date of the last meter reading to June 30, was recognized in the amount of approximately \$3,996,000 in 2017.

L. Capital Assets, Depreciation, and Amortization

The City's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and comprehensively reported in the government-wide financial statements. The City maintains infrastructure asset records consistent with all other capital assets. Proprietary and component unit capital assets are also reported in their respective fund and combining component units' financial statements. Donated assets are stated at fair value on the date donated. The City generally capitalizes assets, not including infrastructure assets, with cost of \$7,500 or more as purchase and construction outlays occur. Infrastructure assets with a cost of \$250,000 or more are capitalized. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets, including those of component units, are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follows:

Buildings	5-50
Plant and distribution system	5-50
Improvements	2-50
Vehicles	3-30
Furniture, machinery, and equipment	3-40
Software	3-5
Infrastructure	30

Water storage rights are recorded at historical cost and amortized over 30 years using the straight-line method. For information describing capital assets, see Note 5.

M. Compensated Absences

The City allows employees to accumulate unused sick leave. Upon retirement an employee will receive pay for only one-half of accumulated sick leave. Sick leave has not been accrued because the amount cannot be reasonably estimated. Earned vacation time can be accrued up to certain maximums based upon years of service. As of June 30, 2017, the liability for accrued vacation leave is approximately \$1,373,000.

Compensated absences for accrued vacation are reported as accrued in the government-wide, governmental activities, proprietary, fiduciary, and component unit financial statements. The General Fund has historically been required to liquidate compensated absences for governmental activities. The amount expected to be paid from current resources is not considered significant.

N. Long-term Debt, Deferred Debt Expense, and Bond Discounts/Premiums

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as liabilities. Bond discounts or premiums, and the difference between the reacquisition price and the net carrying value of refunded debt are capitalized and amortized over the terms of the respective bonds using a method that approximates the effective interest method. Bond issue costs are expensed in the period incurred.

The governmental fund financial statements recognize the proceeds of debt and premiums as other financing sources of the current period. Issuance costs are reported as expenditures.

O. Deferred Outflows / Inflows of Resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The City only has one item that qualifies for reporting in this category. It is comprised of the net deferrals of pension earnings as well as contributions made after the measurement date of the net pension liability.

In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two types of items that qualify for reporting in this category. Deferred inflows for pensions are comprised of the deferral of pension experience recorded in accordance with GASB Statement No. 68. Unavailable revenues from property taxes are amounts in the governmental funds that were receivable and measurable at year-end but were not available to finance expenditures for the current year.

P. Net Position and Fund Balances

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources in the government-wide and business-type fund financial statements. Net position is displayed in three components: net investment in capital assets, restricted, and unrestricted. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets after adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other

governments. The unrestricted net position is the remaining net position that does not meet the definition of net investment in capital assets or restricted.

Governmental funds utilize a fund balance presentation for equity. At June 30, 2011, the City implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." Fund balances are categorized as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable – Amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaids) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted – Amounts with external constraints placed on the use of these resources (such as debt covenants, grantors, other governments, etc.) or imposed by enabling legislation.

Committed – Amounts can only be used for specific purposes imposed by a formal action of the City's highest level of decision-making authority, the City Council. Committed resources cannot be used for any other purpose unless the City Council removes or changes the specified use by the same type of action previously used to commit those amounts, either by resolution or by ordinance.

Assigned – Amounts the City intends to use for specific purposes as expressed by the City Council. This is the residual classification for all governmental funds other than the general fund.

Unassigned – Amounts that remain for any purpose or deficit balances in other funds.

The City's policy is to use funds in the order of the most restrictive to the least restrictive. Amounts are considered to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available. Unrestricted amounts are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Q. Joint Ventures

The Upper Cumberland Regional Airport (UCRA) was established as a joint venture between Putnam County, White County, the City of Cookeville, and the City of Sparta. The airport operates the regional airport for the two-county area. The five-member board of the airport includes one member appointed by each of the four participating governments with the fifth member of the board being the chief executive officer of one of the participating governments. This fifth board position serves a one-year term and rotates among the four participating governments in a prescribed order. Each participant retains a 25 percent ownership in the airport. The City of Cookeville contributed \$38,000 to the Upper Cumberland Regional Airport for the year ended June 30, 2017.

The Cookeville – Putnam County Emergency Management Agency was established in 1951 as a joint venture between the City of Cookeville and Putnam County. The purpose of the Cookeville – Putnam County Emergency Management Agency is to plan and prepare for emergency operations and to assist other emergency services during emergencies or disasters. The City of Cookeville contributed \$25,400 to the Cookeville – Putnam County Emergency Management Agency for the year ended June 30, 2017. An interlocal agreement has been approved that transfers sole responsibility of Putnam County Emergency Management Agency

to Putnam County, Tennessee. Under this agreement, the City of Cookeville would continue to make a contribution of \$25,400 per year for services provided.

The Tennessee Central Heritage Rail Trail Authority was created through an interlocal agreement between Putnam County and the cities of Algood, Cookeville and Monterey. The Town of Monterey has subsequently withdrawn from this agreement. The agreement created a ten-member board to construct and manage a rail trail on the right-of-way owned by the Nashville Eastern Railroad Authority. The county and cities will each appoint two members, the ninth member will be appointed by the Putnam County Chamber of Commerce, and the tenth member will be appointed by the Upper Cumberland Heritage Association. The county and cities will each approve the budget of the Rail Trail Authority. The City of Cookeville contributed \$7,424 to the Rail Trail Authority for the year ended June 30, 2017.

The Putnam County Library has been in existence for a number of years but was formally recognized as a joint venture between the City of Cookeville and Putnam County under an agreement dated June 30, 2011. The seven-member board includes four members appointed by the County and three members appointed by the City. The City of Cookeville contributed \$325,000 to the Putnam County Library for the year ended June 30, 2017.

The City of Cookeville does not have an equity interest in any of the above-noted joint ventures except for The Upper Cumberland Regional Airport (UCRA). Complete financial statements for all of these entities may be obtained from their administrative offices.

R. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles of the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates in the near term.

S. Recently Issued Accounting Pronouncements

The following are recent accounting pronouncements which, to the extent applicable, pose consideration for the City. Management is currently in the process of determining the impact of these Statements to the City's financial statements.

The GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which is effective for fiscal year 2017 for the City. The requirements of this Statement will improve financial reporting primarily through enhanced note disclosures and schedules of required supplementary information that will be presented by OPEB plans that are administered through trusts that meet the specified criteria. The net OPEB liability information, including ratios, will offer an up-to-date indication of the extent to which the total OPEB liability is covered by the fiduciary net position of the OPEB plan.

The GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which is effective for fiscal year 2018 for the City. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB, this Statement identifies the methods and

assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about defined benefit OPEB also are addressed.

The GASB issued Statement No. 77, *Tax Abatement Disclosures*, which is effective for fiscal year 2017 for the City. This Statement improved financial reporting by giving users of financial statements essential information regarding tax abatements that is not currently reported consistently or comprehensively.

The GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, required for fiscal periods beginning after December 15, 2015, fiscal year 2017 for the City. This Statement amends the scope and applicability of GASB Statement No. 68 regarding pensions provided to employees of state and local governmental employers through certain cost-sharing multiple-employer defined benefit pension plans.

The GASB issued Statement No. 80, *Blending Requirements for Certain Component Units – an Amendment of GASB Statement No. 14*, which is effective for fiscal periods beginning after June 15, 2016, fiscal year 2017 for the City. This Statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

The GASB issued Statement No. 82, *Pension Issues*, which is effective for fiscal periods beginning after June 15, 2016, except for certain provisions effective for fiscal period beginning after June 15, 2017, fiscal years 2017 and 2018, respectively for the City. This Statement improves financial reporting by enhancing consistency in the application of financial reporting requirements for certain pension issues.

T. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of Cookeville's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from Cookeville's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

NOTE 2 - CASH AND TEMPORARY CASH INVESTMENTS:

The City has implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures* for financial reporting of deposit and investment risks.

Cash on the balance sheet includes cash on hand or in demand deposit accounts with financial institutions located in the City of Cookeville. Temporary cash investments are deposits with the State of Tennessee Local Government Investment Pool. All deposits are stated at fair value and accessible on demand.

The City has no formal investment policy. The City Municipal Code identifies official depositories for City funds as financial institutions located within the corporate limits of the City of Cookeville whose deposits are insured through the Tennessee Bank Collateral Pool or who placed governmental securities (at market value) in escrow in amounts sufficient to secure at least 105% or more of the deposits. Funds may also be deposited in the State of Tennessee Local Government Investment Pool (LGIP). An annual report of the LGIP may be obtained from the Treasury Department of the State of Tennessee.

NOTE 3 - PROPERTY TAXES:

Property taxes attach as an enforceable lien on property as of January 1, and taxes receivable and deferred revenue are recorded at that time. Taxes are levied on October 1 and are payable by February 28 with this five-month period being the major collection period. The City bills and collects its own property taxes. An allowance for uncollectible taxes is provided based on the experience of amounts not collected in the year of levy. The allowance was approximately \$405,000 for the year ended June 30, 2017.

NOTE 4 - BALANCES AND TRANSFERS/PAYMENTS WITHIN THE REPORTING ENTITY:

A schedule of interfund receivables and payables follows:

Due from:	Due to:			Business-type	Total Due From
	Governmental Activities			Activities	
	General Fund	Debt Service	Other Governmental Funds	Electric	
<u>Governmental Activities:</u>					
Major Governmental Funds					
General Fund		\$ 9,661	\$ 13,387		\$ 23,048
Other Governmental Funds	\$ 52,472	-	-		52,472
<u>Business-type Activities:</u>					
Electric	123,494	-	-		123,494
Water Quality Control	52,214	-	-	\$ 12,833	65,047
Gas	26,905	-	-	12,834	39,739
Total Due To	\$ 255,085	\$ 9,661	\$ 13,387	\$ 25,667	\$ 303,800

Generally, outstanding balances between funds reported as "due to/from other funds" include outstanding charges by one fund to another for services or goods and other miscellaneous receivables/payables between funds. These transactions are not indicative of long-term lending/borrowing arrangements.

Transfers and payments within the reporting entity are substantially for the purposes of subsidizing operating functions, funding capital projects and asset acquisitions, or maintaining debt service on a routine basis.

A schedule of interfund transfers follows:

	Transfer from:							
	<u>General</u>	<u>Animal Control</u>	<u>Economic Development</u>	<u>Quality of Life</u>	<u>Cookeville Electric Department</u>	<u>Cookeville Gas Department</u>	<u>Cookeville Water Quality Control Department</u>	<u>Total</u>
<u>Transfer to:</u>								
Animal Control	\$ 88,000							\$ 88,000
Capital Projects	-							-
Economic Development	-							-
General	-	\$ -	\$ 75,000	\$ 7,424	\$ 1,185,468	\$ 176,699	\$ 279,704	1,724,295
Total:	\$88,000	\$ -	\$ 75,000	\$ 7,424	\$ 1,185,468	\$ 176,699	\$ 279,704	\$ 1,812,295

Interfund transfers are used to (1) move revenues from the funds with collection authorization to the debt service fund as debt service principal and interest payments become due, (2) report in-lieu of taxes paid by proprietary funds, (3) move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

NOTE 5 - CHANGES IN CAPITAL ASSETS:

A summary of changes in capital assets follows:

	Balance July 1, 2016	Additions	Retirements	Amortization	Transfers & Reclasses	Balance June 30, 2017
<u>Government-type activities:</u>						
Capital assets not being depreciated						
Land	\$ 10,494,338					\$ 10,494,338
Construction in progress	3,941,376	\$ 6,979,374			\$ (263,251)	10,657,499
Total capital assets not being depreciated	14,435,714	6,979,374			(263,251)	21,151,837
Capital assets, being depreciated						
Buildings	13,258,550	53,943			-	13,312,493
Improvements	2,877,390	46,885			-	2,924,275
Vehicles	9,417,146	687,678	\$ (350,380)		-	9,754,444
Machinery and equipment	3,352,712	391,888	-		-	3,744,600
Software	306,305	-	-		-	306,305
Easements	39,469	-	-		(3,010)	36,459
Infrastructure	49,710,660	226,500	(43,599)		172,938	50,066,499
Total capital assets being depreciated	78,962,232	1,406,894	(393,979)		169,928	80,145,075
Less accumulated depreciation for:						
Buildings	(4,022,326)	(274,734)	-		-	(4,297,060)
Improvements	(1,393,294)	(137,906)	-		-	(1,531,200)
Vehicles	(8,334,995)	(558,990)	350,380		-	(8,543,605)
Machinery and equipment	(2,673,822)	(235,553)	-		-	(2,909,375)
Software	(306,305)	-	-		-	(306,305)
Easements	(13,156)	(13,156)	-		3,010	(23,302)
Infrastructure	(27,374,525)	(1,599,361)	18,893		-	(28,954,993)
Total accumulated depreciation	(44,118,423)	(2,819,700)	369,273		3,010	(46,565,840)
Total capital assets being depreciated, net	34,843,809	(1,412,806)	(24,706)		172,938	33,579,235
Total government-type activities capital assets, net	\$ 49,279,523	\$ 5,566,568	\$ (24,706)		\$ (90,313)	\$ 54,731,072
<u>Business-type activities:</u>						
Capital assets not being depreciated						
Land and easements	\$ 3,857,353					\$ 3,857,353
Construction in progress	3,633,660	\$ 3,250,683	\$ (2,089,403)		\$ (30,196)	4,764,744
Total capital assets not being depreciated	7,491,013	3,250,683	(2,089,403)		(30,196)	8,622,097
Capital assets being depreciated						
Buildings and improvements	4,702,236	67,031			-	4,769,267
Plant and distribution system	171,333,519	5,165,215	(589,868)		-	175,908,866
Machinery and equipment	13,191,516	557,417	(143,429)		-	13,605,504
Furniture and equipment	726,901	16,639	(12,675)		-	730,865
Plant acquisition adjustment	9,355,975	-	-	\$ (828,686)	-	8,527,289
Total capital assets being depreciated	199,310,147	5,806,302	(745,972)	(828,686)	-	203,541,791
Less accumulated depreciation for:						
Buildings and improvements	(2,556,731)	(113,686)	-	-	-	(2,670,417)
Plant and distribution system	(80,697,105)	(5,191,409)	735,418	-	-	(85,153,096)
Machinery and equipment	(8,327,910)	(566,344)	133,414	-	-	(8,760,840)
Furniture and equipment	(613,103)	(39,532)	12,495	-	-	(640,140)
Total accumulated depreciation	(92,194,849)	(5,910,971)	881,327	-	-	(97,224,493)
Total capital assets being depreciated, net	107,115,298	(104,669)	135,355	(828,686)	-	106,317,298
Total business-type activities capital assets, net	\$ 114,606,311	\$ 3,146,014	\$ (1,954,048)	\$ (828,686)	\$ (30,196)	\$ 114,939,395

The City has active construction projects as of June 30, 2017. Total accumulated commitments for ongoing capital projects are comprised of the following:

Governmental activities:

Rails with Trails Construction Project	\$ 36,812
SSA - Sidewalk Projects	117,679
Bennett Road Construction	3,399,856
Total commitments - governmental activities	<u>\$ 3,554,347</u>

Proprietary Fund activities:

Water Quality	
Total commitments - Proprietary Fund activities	<u>\$ 1,684,737</u>

Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities:

General government	\$ 74,767
Planning and codes	19,623
Public safety	549,132
Public works	1,915,538
Parks & maintenance	73,375
Culture and recreation	187,265
Total depreciation expense - governmental activities	<u>\$ 2,819,700</u>

Business-type activities:

Cookeville Water Quality Control Department	\$ 3,175,924
Cookeville Electric Department	2,069,635
Cookeville Gas Department	665,412
Total depreciation expense - business-type activities	<u>\$ 5,910,971</u>

NOTE 6 - LONG-TERM LIABILITIES:

The following summarizes long-term liabilities transactions of the City of Cookeville during the year ended June 30, 2017.

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
<u>Governmental Activities:</u>					
Bonds and notes payable:					
General Obligation Bonds	\$ 18,195,000		\$ (1,185,000)	\$ 17,010,000	\$ 1,260,000
Notes payable	<u>5,358,333</u>		<u>(1,229,667)</u>	<u>4,128,666</u>	<u>921,666</u>
Total bonds and notes payable	<u>23,553,333</u>		<u>(2,414,667)</u>	<u>21,138,666</u>	<u>2,181,666</u>
Other liabilities:					
Compensated absences	<u>899,770</u>	\$ 54,119	-	953,889	-
Total other liabilities	<u>899,770</u>	<u>54,119</u>	<u>-</u>	<u>953,889</u>	<u>-</u>
Total governmental activities long-term liabilities:	<u>\$ 24,453,103</u>	<u>\$ 54,119</u>	<u>\$ (2,414,667)</u>	<u>\$ 22,092,555</u>	<u>\$ 2,181,666</u>
<u>Business-Type Activities:</u>					
Bonds and notes payable:					
Revenue bonds payable	\$ 3,060,000		\$ (245,000)	\$ 2,815,000	\$ 250,000
Notes payable	<u>11,081,735</u>		<u>(2,808,116)</u>	<u>8,273,619</u>	<u>2,339,911</u>
Total bonds and notes payable	<u>14,141,735</u>		<u>(3,053,116)</u>	<u>11,088,619</u>	<u>2,589,911</u>
Other liabilities:					
Compensated absences	403,425	\$ 15,584	-	419,009	-
TVA heat pump notes payable	632,087	105,911	(167,958)	570,040	-
Water storage rights payable	<u>1,919,060</u>	<u>-</u>	<u>(89,121)</u>	<u>1,829,939</u>	<u>91,684</u>
Total other liabilities	<u>2,954,572</u>	<u>121,495</u>	<u>(257,079)</u>	<u>2,818,988</u>	<u>91,684</u>
Total business-type activities long-term liabilities:	<u>\$ 17,096,307</u>	<u>\$ 121,495</u>	<u>\$ (3,310,195)</u>	<u>\$ 13,907,607</u>	<u>\$ 2,681,595</u>

Bonds and notes payable at June 30, 2017, are comprised of the following:

Governmental Bonds and Notes Payable:

1.0% through 5.05% General Obligation Industrial & Business Park Bonds, Series 2010, Taxable Build America bonds, issued December 15, 2010, payable annually in varying amounts plus semi-annual interest payments through 2026.	\$ 4,620,000
2.0% through 3.2% General Obligation Bonds, Series 2013, issued December 19, 2013, payable in varying amounts plus semi-annual interest through 2029.	3,325,000
2.0% through 2.75% General Obligation Bonds, Series 2015, issued November 10, 2015, payable in varying amounts plus semi-annual interest through 2031.	9,065,000
Note payable to Tennessee Municipal Bond Fund, maximum borrowing of \$4,500,000, payable annually beginning in 2005 through 2020, with a variable rate of interest. Interest rate at June 30, 2017 is .94%.	1,145,000
Note payable to Tennessee Municipal Bond Fund, maximum borrowing of \$3,200,000, payable annually beginning in 2007 through 2023, with a variable rate of interest. Interest rate at June 30, 2017 is .94%.	1,507,000
Note payable to Tennessee Municipal Bond Fund, maximum borrowing of \$2,350,000, payable annually beginning in 2009 through 2024, with a variable rate of interest. Interest rate at June 30, 2017 is .94%.	1,310,000
Capital outlay note payable to Regions Bank dated October 1, 2014 with maturity date of October 1, 2017 principal and interest payments due annually. Interest rate 1.33%.	<u>166,666</u>
	<u>\$ 21,138,666</u>

Business-type Bonds and Notes Payable:

Revolving loan payable to State of Tennessee, interest rate 3.14%, due in monthly installments through 2017.	\$ 105,883
Revolving loan payable to State of Tennessee, interest rate 2.5%, due in monthly installments through 2031.	1,528,736
Notes payable to Tennessee Municipal Bond Fund, maximum borrowing of \$10,500,000, payable annually beginning in 2000 through 2020, with a variable interest rate. Interest rate at June 30, 2017 is .96%.	2,294,000
Electric Department System Revenue and Tax Bonds, issued February 15, 2012, payable annually in varying amounts plus semi-annual interest payments through 2027. Interest 1.0% to 3.0%.	2,815,000
Notes payable to UCEMC related to various annexations, payable annually through 2017 without interest.	1,000,000
Notes payable to Tennessee Municipal Bond Fund, maximum borrowing of \$6,000,000, payable annually beginning in 2009 through 2024, variable interest rate.	<u>3,345,000</u>
	<u>\$ 11,088,619</u>

The annual requirements to amortize all general obligation debt, notes payable and revenue bonds are as follows:

General Obligation Bonds

Year Ending June 30,	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 1,260,000	\$ 499,209
2019	1,290,000	468,321
2020	1,315,000	435,236
2021	1,350,000	397,556
2022	1,380,000	357,859
2023	1,420,000	316,184
2024	1,455,000	272,221
2025	1,495,000	225,929
2026	1,535,000	175,836
2027	980,000	122,256
2028	1,010,000	96,465
2029	1,040,000	69,010
2030	730,000	40,700
2031	750,000	20,625
Total	<u>\$ 17,010,000</u>	<u>\$ 3,497,407</u>

Notes Payable

Year Ending June 30,	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2018	\$ 921,666	\$ 39,460	\$ 2,339,911	\$ 91,025
2019	786,000	30,146	1,292,440	77,342
2020	820,000	22,758	1,354,900	63,495
2021	442,000	15,049	578,432	49,006
2022	462,000	10,895	604,024	41,939
2023	481,000	6,551	631,676	34,597
2024	216,000	2,030	661,400	26,947
2025	-	-	113,184	18,984
2026	-	-	116,052	16,116
2027	-	-	118,980	13,188
2028	-	-	121,992	10,176
2029	-	-	125,076	7,092
2030	-	-	128,244	3,924
2031	-	-	87,308	721
Total	<u>\$ 4,128,666</u>	<u>\$ 126,889</u>	<u>\$ 8,273,619</u>	<u>\$ 454,552</u>

Revenue Bonds

Year Ending June 30,	<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2018	\$ 250,000	\$ 63,038
2019	255,000	57,987
2020	260,000	51,538
2021	270,000	43,587
2022	275,000	35,413
2023	285,000	28,438
2024	290,000	22,688
2025	300,000	16,787
2026	310,000	10,494
2027	320,000	3,600
Total	<u>\$ 2,815,000</u>	<u>\$ 333,570</u>

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

Water Storage Rights Payable:

The Water Quality Control Department has entered into an agreement with the U.S. Army Corps of Engineers to purchase water storage rights at the Center Hill Reservoir. The purchase price is \$2,816,877 and will be paid over a period of 30 years. The contract will be payable in annual installments including interest of \$144,295 based on an adjusted interest rate of 2.875 percent. The interest rate will be adjusted at five year intervals throughout the repayment period. The rate is the yield rate as determined by the Secretary of the Treasury plus 1/8 percent.

Annual maturities of water storage rights payable, 2018 through 2033.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 91,684	\$ 52,611	\$ 144,295
2019	94,320	49,975	144,295
2020	97,032	47,263	144,295
2021	99,822	44,473	144,295
2022	102,691	41,604	144,295
2023-2027	559,478	161,997	721,475
2028-2032	644,661	76,814	721,475
2033	140,251	4,032	144,283
	<u>\$1,829,939</u>	<u>\$ 478,769</u>	<u>\$ 2,308,708</u>

NOTE 7 - PENSION PLANS:**General Information about the Pension Plan**

Plan description. Employees of Cookeville are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publically available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits provided. Tennessee Code Annotated Title 8, Chapters 34-37 establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with 5 years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at 3 percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent.

Employees covered by benefit terms. At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	508
Inactive employees entitled to but not yet receiving benefits	654
Active employees	<u>407</u>
Total	<u>1,569</u>

Contributions. Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. Employees are non-contributory. Cookeville makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2017, employer contributions for Cookeville were \$3,463,073 based on a rate of 17.00 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept Cookeville's state shared taxes if required employer contributions are not remitted. The employer's actuarially determined contribution (ADC) and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

Net Pension Liability (Asset)

Cookeville's net pension liability (asset) was measured as of June 30, 2016, and the total pension liability (asset) used to calculate net pension liability (asset) was determined by an actuarial valuation as of that date.

Actuarial assumptions. The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of investment expense, including inflation

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June

30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of 3 percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected Real Rate of Return	Target Allocations
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	<u>1%</u>
		100%

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate. The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from Cookeville will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Position Liability

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at June 30, 2015	\$ 120,306,990	\$ 107,990,060	\$ 12,316,930
Service cost	1,702,180	-	1,702,180
Interest	8,944,486	-	8,944,486
Change in benefit terms	4,282,656	-	4,282,656
Differences between expected and actual experience	(542,888)	-	(542,888)
Contributions-employer	-	3,230,243	(3,230,243)
Contributions-employee	-	55,959	(55,959)
Net investment income	-	2,834,483	(2,834,483)
Benefit payments, including refunds of employee contributions	(5,498,724)	(5,498,724)	-
Administrative expense	-	(31,075)	31,075
Net changes	8,887,710	590,886	8,296,824
Balance at June 30, 2016	<u>\$ 129,194,700</u>	<u>\$ 108,580,946</u>	<u>\$ 20,613,754</u>

Change of benefit terms. In 2015, benefit terms were changed to authorize the establishment of a mandatory retirement at age 60 for all public safety officers. This benefit option allows unreduced retirement benefits (service retirement) upon attainment of age 55 with 25 years of public safety officer service. It also allows a supplemental bridge benefit that will begin at age 55 and continue through age 62.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability (asset) of the City calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	1% Decrease	Current	1% Increase
	(6.50%)	(7.50%)	(8.50%)
Cookeville's net pension liability (asset)	\$36,840,853	\$20,613,754	\$7,026,454

Pension Expense (Income) and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Pension expense. For the year ended June 30, 2017, Cookeville recognized pension expense of \$6,934,392.

Deferred outflows of resources and deferred inflows of resources. For the year ended June 30, 2017, Cookeville reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$ 888,238
Changes of assumptions		-
Net difference between projected and actual earnings of pension plan investments	\$ 3,623,051	-
Contributions subsequent to measurement date of 6/30/2016	<u>3,463,073</u>	<u>-</u>
Total	<u>\$ 7,086,124</u>	<u>\$ 888,238</u>

The amount shown above for "Contributions subsequent to the measurement date of June 30, 2016," will be recognized as a reduction (increase) to net pension liability (asset) in the following measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 45,074
2019	45,074
2020	1,717,108
2021	927,549
2022	0
Thereafter	0

In the table shown above, positive amounts will increase pension expense while negative amounts will decrease pension expense.

NOTE 8 - CONTINGENCIES:

The City is the defendant in various legal actions. It is the opinion of management and the City's legal counsel that the City has adequate legal defense, and the City intends to vigorously defend all of the matters in which a settlement cannot be reached.

NOTE 9 - SELF-INSURANCE:

The City of Cookeville is partially self-insured with regard to their general liability, worker's compensation and employee health insurance. Other insurance needs are met through the purchase of commercial insurance. The City is self-insured with excess coverage in these areas:

- 1) Worker's compensation liability with a \$50,000 deductible per incident and statutory limit on coverage.
- 2) General liability with a \$410,000 deductible in aggregate.

Claims expensed during the year ended June 30, 2017, totaled approximately \$67,000 for general liability and \$267,000 for worker's compensation. Liabilities for claims incurred but not reported as of June 30, 2017, are not calculated by an actuary. The plan administrator reported claims payable of approximately \$245,000 as of June 30, 2017 which have been included in these financial statements.

The employee health care coverage program is partially self-insured by the City up to \$150,000 per occurrence. Insurance costs are funded from payroll deductions and from City contributions for employee coverage. Liabilities for health claims incurred but not reported as of June 30, 2017, are not calculated by an actuary. The plan administrator reported health claims payable of approximately \$208,000 as of June 30, 2017. These are claims received by the plan administrator for a two month period following the end of the fiscal year and incurred by the end of the plan year. For the year ended June 30, 2017, the amount for health insurance claims and premiums totaled approximately \$3,900,000.

There has been no reduction in insurance coverage from the prior year and no settlements have exceeded insurance coverage for the past three fiscal years.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS:

The City has adopted GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, prospectively for the year ended June 30, 2009.

Plan description

In addition to the pension plan sponsored by the City, the City provides single-employer health care benefits (medical, dental, vision, life insurance) for all retired employees and their spouses. These benefit provisions and all other requirements are established by City policy. The participants are required to pay a portion of the cost of the Plan, which generally ranges from approximately 20% to 100% of the annual premiums. Employees are eligible for these retirement benefits at age 55 with a minimum of 5 years of service. Surviving spouses of employees who were eligible for these benefits at the time of death will be eligible for the same benefits with the exception of life insurance.

Retirees and spouses pay a percentage of the self-insured health premiums based on the retirees' years of services at retirement. Retirees and spouses contribute 100% of the pooled premium rate for active employees and retirees under the self-insured dental plan. The retirees and spouses have limited life insurance and vision benefits and they must contribute toward the cost of the coverage.

Funding policy and assumptions

The City contribution is based on projected pay-as-you go financing requirements through the General Fund and the proprietary funds.

The City's annual OPEB costs (expense) for the plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities over a period not to exceed thirty years.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality and healthcare cost trends. Amounts determined regarding the funded status of the plan and the ARC are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presents the multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of the valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities consistent with the long-term perspective of the calculation. The projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future.

Information as of the latest actuarial valuation follows:

Valuation date	July 1, 2016
Actuarial cost method	Entry age normal, level dollar
Actuarial assumptions	
Interest rate	4.0%
Salary increases	4.5% per annum
Inflation	Medical cost 8% in the first year, future increases grade uniformly to 5% over 6 year period. Dental cost increase 4% per annum.
Amortization period	30 years, open period

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB costs and net OPEB obligations to the plan for the year ended June 30, 2017 were as follows:

	Governmental Activities	Business-Type Activities	Total
Annual required contribution	\$ 2,697,699	\$ 516,265	\$ 3,213,964
Interest on Net OPEB	432,881	160,030	592,911
Adjustment	(454,953)	(168,544)	(623,497)
Contribution made	(835,680)	(14,335)	(850,015)
Change in Net OPEB, Obligation	1,839,947	493,416	2,333,363
Net OPEB Obligation, beginning	10,814,791	4,000,765	14,815,556
Net OPEB Obligation, ending	<u>\$ 12,654,738</u>	<u>\$ 4,494,181</u>	<u>\$ 17,148,919</u>

Three-Year Trend Information

<u>Year</u>	<u>Annual OPEB Cost (AOC)</u>	<u>Percentage of AOC Contributed</u>	<u>Net OPEB Obligation (Asset)</u>
2017	\$ 3,183,734	26%	\$ 17,148,919
2016	2,774,419	27%	14,815,486
2015	2,590,632	27%	12,780,734

NOTE 11 – SUBSEQUENT EVENT:

Effective November 15, 2017, the City issued General Obligation Bonds, Series 2017 in the amount of \$2,800,000. The bonds will be used for the completion of Tennessee Avenue.

NOTES TO FINANCIAL STATEMENTS
(COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY)
AUDITED BY OTHER AUDITORS

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(Cookeville Regional Medical Center and Affiliates)

Notes to Financial Statements

Years Ended June 30, 2017 and 2016

NOTE A--REPORTING ENTITY

Cookeville Regional Medical Center Authority (the Authority) was established by a Private Act of the State of Tennessee legislature during 1999 (the Private Act) for the purpose of operating Cookeville Regional Medical Center (CRMC) and all other hospital, clinical and related healthcare facilities of the City of Cookeville, Tennessee. The Private Act effectively reconstituted the Board of Trustees of CRMC as that of the Authority and granted such powers to the Authority as permitted under the State of Tennessee Private Act Hospital Authority Act of 1996. The initial members of the Board of Trustees of the Authority, a quasi-municipal corporation independent of the City of Cookeville (the City), were the same as those of the Medical Center and were elected by the Cookeville City Council as provided in the Private Act. The Authority is considered a component unit of the City for the City's financial reporting purposes. The Authority consists of CRMC and its component units (collectively, the Medical Center) as disclosed below.

The City of Cookeville and the Authority entered into an agreement effective December 10, 1999 which specified the arrangements relative to the Private Act. The Private Act which created the Authority was also amended by a subsequent Private Act in May 2000. This amended Private Act clarified the empowerment of the Authority. The Authority has sole and complete authority to operate and control the facilities of the Medical Center. The ownership of the real estate, improvements, tangible personal property, licenses, permits and provider numbers of the Medical Center remain with the City. The Authority also has rights to working capital, including cash, accounts receivable and future revenues, subject to that necessary to retire indebtedness at the date of the creation of the Authority, and the Authority has the obligation to repay debt of the City with respect to which such assets and revenues have been pledged. In addition, approval of the Cookeville City Council is required for all borrowings and purchase of any real property by the Authority. The Cookeville City Council also retains approval authority over the budget of the Medical Center's operations. All rights of the Authority cease upon sale, lease or transfer of the Medical Center by the City.

Operations of the Medical Center consist primarily of a 247-bed acute care hospital providing healthcare services in Putnam County, Tennessee. The Medical Center also owns and operates Highland Rim Home Health Agency as a department of the Medical Center.

The primary mission of the Medical Center is to provide inpatient and outpatient healthcare services to the citizens of Cookeville, Tennessee, Putnam County and surrounding areas.

Blended Component Units: The accompanying financial statements include the accounts of four blended component units as the governing bodies of each are essentially the same as that of CRMC. The CRMC Children's Center (the Children's Center) and Cookeville Regional Medical Group, Inc. began operations during the year ended June 30, 2005.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(Cookeville Regional Medical Center and Affiliates)

Notes to Financial Statements - Continued

Years Ended June 30, 2017 and 2016

The Children's Center was established to provide a quality early childhood program to employees of CRMC. In December 2016, the Children's Center was administratively dissolved as a separate entity and its assets and liabilities were transferred to and assumed by, respectively, CRMC, where its operations continue as a department of CRMC. The statement of revenue, expenses and changes in net position and cash flows of the Children's Center for the year ended June 30, 2017 encompass the period July 1, 2016 through December 31, 2016. In March 2012, the former CRMC MSO, Inc. (the MSO) was formally renamed Cookeville Regional Medical Group, Inc. (CRMG). CRMG was established to provide physician services to the City of Cookeville and the surrounding areas. In January 2012, CRMC MSO Sub 1 (MSO Sub 1) was established to provide cardiology services. In August 2012, Cumberland River Hospital, Inc. (Cumberland River) in Celina, Tennessee was acquired by CRMC to extend the health network into surrounding counties. In August 2015, Cumberland River achieved Critical Access Hospital designation and, as such, is now reimbursed for patient care services based on cost. CRMC and its blended component units are individually considered major funds as the Medical Center believes these funds are important to financial statement users.

NOTE B--SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The Medical Center utilizes the proprietary fund method of accounting whereby revenue and expenses are recognized on the accrual basis, which is an economic resources measurement focus approach to accounting. In December 2010, the Governmental Accounting Standards Board (GASB) issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. GASB 62 makes the GASB Accounting Standards Codification the sole source of authoritative accounting technical literature for governmental entities in the United States of America. In June 2011, GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflow of Resources, and Net Position*. GASB 62 and 63 were effective for periods beginning after December 15, 2011.

Cash and Cash Equivalents: The Medical Center considers all highly liquid investments with a maturity of three months or less when originally purchased, excluding amounts limited as to use, to be cash equivalents. Cash and cash equivalents consists of deposit accounts with financial institutions and cash deposits with a financial services company. The financial institutions utilized by the Medical Center are participating in the State of Tennessee Collateral Pool and/or are members of the Federal Deposit Insurance Corporation (FDIC). The Medical Center's deposits in financial institutions are required by State statute to be secured and collateralized by the institutions. Collateral requirements are not applicable for financial institutions that participate in the State of Tennessee's Collateral Pool. Collateral securities required to be pledged by the participating banks to protect their public fund accounts are pledged to the State Treasurer on behalf of the State of Tennessee's Collateral Pool. The securities pledged to protect these accounts are pledged in the aggregate rather than against each individual account. The

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(Cookeville Regional Medical Center and Affiliates)

Notes to Financial Statements - Continued

Years Ended June 30, 2017 and 2016

members of the State of Tennessee's Collateral Pool may be required by agreement to pay an assessment to cover any deficiency. Under this additional assessment agreement, public fund accounts covered by the State of Tennessee's Collateral Pool are considered to be insured for purposes of credit risk disclosure. At June 30, 2017, all of the Medical Center's deposits in financial institutions were within FDIC insurance limits or covered by the State of Tennessee Collateral Pool.

The cash deposits with the financial services company are comprised of deposits at various FDIC insured financial institutions and are structured so that deposits in each of the respective financial institutions is not in excess of FDIC insurance limits and, as such, are fully insured. As of June 30, 2017, the Medical Center had \$761,357 in these cash deposits. These deposits are held by the financial services company's trust department or agent in the Medical Center's name.

Inventories: Inventories consist principally of medical and surgical supplies, general store supplies, pharmacy items and dietary foods and are stated at the lower of cost (first-in, first-out method) or fair market value.

Investments: Investments consist of United States government agency collateral-backed bonds and sponsored enterprise securities. These investments are reported at fair market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The Medical Center generally holds its investments until maturity. The portion of investments related to financial instruments with remaining maturities of less than one year is classified as current assets. Investment income is reported as nonoperating revenue. Any changes in fair market value in the current year are recognized in the statements of revenue, expenses and changes in net position as a component of investment income.

Assets Limited as to Use: Assets limited as to use include cash and cash equivalents designated by the Board of Trustees for future capital improvements, over which the Board retains control and may at its discretion use for other purposes.

Derivative Instruments: The Medical Center records all derivatives as assets or liabilities in the statements of net position at estimated fair value. The Medical Center's derivative holdings consist of an interest rate swap agreement (Note I). In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, the interest rate swap agreement is considered effective, and is classified as a hedging derivative instrument. The accumulated changes in the interest rate swap's fair value are recorded in the statements of net position as deferred outflows. Effectiveness is determined by considering whether the changes in cash flows or fair values of the potential hedging derivative instrument substantially offset the changes in cash flows or fair values of the hedgeable item.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(Cookeville Regional Medical Center and Affiliates)

Notes to Financial Statements - Continued

Years Ended June 30, 2017 and 2016

The Medical Center's objective in using derivatives was to manage the mix of fixed versus variable rate debt.

Property and Equipment: Property and equipment acquisitions are recorded at cost. Depreciation is computed by the straight-line method over the estimated useful life of the asset, generally 20 to 40 years for buildings, 5 to 20 years for land improvements and 3 to 20 years for furniture and equipment. Assets under capital leases are to be included in property and equipment and the related amortization and accumulated amortization is included in depreciation and amortization expense and accumulated depreciation and amortization, respectively. The Medical Center has established a capitalization threshold for property and equipment of \$5,000, except for computer software and hardware, which has a threshold of \$10,000. The Medical Center reviews the carrying values of long-lived assets to determine if facts and circumstances indicate that the carrying value may have been impaired. Costs of maintenance and repairs are expensed as incurred. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Investment in Joint Venture: Investment in a joint venture is accounted for under the equity method of accounting and the Medical Center recognizes its share in the results of the underlying activities in the joint venture.

Accrual for Compensated Absences: The Medical Center recognizes an expense and accrues a liability for compensated future employee vacation and other absences in the period in which employees' rights to such compensated absences are earned. Compensated absences consist of paid days off including holidays, vacation, and bereavement days to regular full-time employees. Paid days off are earned based on years of service.

Contributed Resources: From time to time, the Medical Center receives grants and contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements, are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted for specific operating purposes are reported as nonoperating revenues. Amounts restricted to capital acquisitions are reported as other increases in net position.

Net Patient Service Revenue/Receivables: Net patient service revenue is reported on the accrual basis in the period in which services are provided at the estimated net realizable amounts, including estimated retroactive adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. Current operations are charged with an estimated provision for bad debts based upon management's evaluation of collectability. Such evaluation includes historical experience, aging of the receivables and other factors which affect the collectability of the receivables. The estimated provision for bad debts is reported as a reduction in net patient service revenue.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(Cookeville Regional Medical Center and Affiliates)

Notes to Financial Statements - Continued

Years Ended June 30, 2017 and 2016

The Medical Center's policy does not require collateral or other security for patient accounts receivable. The Medical Center routinely accepts assignment of, or is otherwise entitled to receive, patient benefits payable under health insurance programs, plans or policies such as those related to Medicare, TennCare, Blue Cross, health maintenance organizations and commercial insurance carriers.

Net Position: Net position of the Medical Center is classified into three components. *Net investment in capital assets* consists of capital assets net of accumulated depreciation and reduced by the remaining balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted* net position is the noncapital net position that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Medical Center, including amounts deposited with trustees for pension related purposes. *Unrestricted* is the remaining net position that does not meet the definition of *net investment in capital assets* or *restricted*. The Medical Center first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Operating Revenue and Expenses: The Medical Center's statements of revenue, expenses and changes in net position distinguish between operating and nonoperating revenue and expenses. Operating revenue results from exchange transactions associated with providing healthcare services - the Medical Center's principal activity. Nonexchange revenue, including grants and contributions received for purposes other than capital asset acquisition and investment income, are reported as nonoperating revenue. Operating expenses are all expenses incurred to provide healthcare services, other than financing costs and losses on disposal of assets.

Charity Care: The Medical Center accepts all patients regardless of their ability to pay. A patient is classified as a charity patient by reference to certain established policies of the Medical Center. In assessing a patient's inability to pay, the Medical Center utilizes generally recognized poverty income levels. Because the Medical Center does not pursue collection of amounts determined to qualify as charity care, charges related to charity care are not included in net patient service revenue. In addition to these charity care services, the Medical Center provides a number of other services to benefit underprivileged patients for which little or no payment is received, including providing services to TennCare and state indigent patients and providing various public health education, health evaluation and screening programs.

Income Taxes: The Medical Center is classified as an organization exempt from federal income taxes as a quasi-municipal corporation and formerly as an enterprise fund of the City. Accordingly, no provision for income taxes has been included in the accompanying financial statements.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(Cookeville Regional Medical Center and Affiliates)

Notes to Financial Statements - Continued

Years Ended June 30, 2017 and 2016

amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Performance Indicator: Increase (decrease) in net position reflected in the accompanying statements of revenue, expenses and changes in net position is a performance indicator.

Pensions: For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Medical Center's participation in the Public Employee Retirement Plan of the Tennessee Consolidated Retirement System (TCRS), and additions to/deductions from the Medical Center's fiduciary net position have been determined on the same basis as they are reported by the TCRS for the Public Employee Retirement Plan. For this purpose, benefits (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms of the Public Employee Retirement Plan of TCRS. Investments are reported at fair value.

Recently Issued or Effective Accounting Pronouncements: In 2017, the GASB issued Statement No. 87, *Leases*, which requires balance sheet recognition of a liability and right-to-use asset for substantially all leases with a maximum possible term exceeding 12 months. The lease liability is measured at the present value of payments made during the lease term. In later periods, the lessee should amortize the discount of the lease liability and report it as an outflow of resources (interest expense) for the period. The lease asset is measured as the sum of the amount of the initial measurement of the lease liability, lease payments made to the lessor at/before the beginning of the lease term, and any initial direct costs. A lease asset is amortized over the shorter of the lease term or the useful life of the underlying asset and reported as an amortization expense. The Statement requires a disclosure of the general description of the leasing arrangements within the footnotes to the financial statements. For leases that have been significantly affected by the existence of related parties, the Statement indicates that accounting should be modified as necessary, and the nature and extent of these transactions should be disclosed. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019; early adoption is permitted. Management is currently evaluating the impact of the adoption of the Statement on the financial statements.

Reclassifications: Certain 2016 amounts have been reclassified to conform with the 2017 presentation in the accompanying financial statements.

NOTE C--NET PATIENT SERVICE REVENUE AND PATIENT ACCOUNTS RECEIVABLE

A significant portion of the amount of services provided by the Medical Center is to patients whose bills are paid by third-party payers such as Medicare, TennCare, and private insurance carriers.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(Cookeville Regional Medical Center and Affiliates)

Notes to Financial Statements - Continued

Years Ended June 30, 2017 and 2016

A reconciliation of the amount of services provided to patients at established rates to net patient service revenue as presented in the statements of revenue, expenses and changes in net position is as follows:

	<i>Year Ended June 30,</i>	
	<i>2017</i>	<i>2016</i>
Gross patient service charges	\$ 719,019,174	\$ 670,539,035
Less: Medicare contractual adjustments	(255,923,116)	(229,311,862)
TennCare contractual adjustments	(64,520,509)	(61,461,405)
Other contractual adjustments	(81,339,284)	(79,844,056)
Bad debt	(22,395,392)	(21,345,078)
Charity care	(5,802,796)	(2,223,232)
	<u>(429,981,097)</u>	<u>(394,185,633)</u>
Net patient service revenue	<u>\$ 289,038,077</u>	<u>\$ 276,353,402</u>

Net patient accounts receivable consists of the following:

	<i>June 30,</i>	
	<i>2017</i>	<i>2016</i>
Medicare	\$ 14,256,472	\$ 11,633,108
TennCare	2,601,035	3,710,424
Blue Cross and commercial	10,918,583	7,477,275
Patients, including self-insured	18,395,276	24,528,163
	<u>46,171,366</u>	<u>47,348,970</u>
Less: estimated allowance for uncollectible accounts	<u>(19,715,565)</u>	<u>(19,667,391)</u>
	<u>\$ 26,455,801</u>	<u>\$ 27,681,579</u>

NOTE D--THIRD-PARTY PAYER AGREEMENTS

The Medical Center renders services to patients under contractual arrangements with the Medicare and Medicaid programs. Effective January 1, 1994, the Medicaid program in Tennessee was replaced with TennCare, a managed care program designed to cover previous Medicaid eligible enrollees as well as other previously uninsured and uninsurable participants.

Amounts earned under these contractual arrangements are subject to review and final determination by fiscal intermediaries and other appropriate governmental authorities or their agents. Activity with respect to audits and reviews of governmental programs and reimbursement

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has increased and is expected to increase in the future. No additional specific reserves or allowances have been established with regard to these increased audits and reviews as management is not able to estimate such amounts. Management believes that any adjustments from these increased audits and reviews will not have a material adverse impact on the financial statements. However, due to uncertainties in the estimation, it is at least reasonably possible that management's estimate will change in the future, although the amount of the change cannot be estimated. In addition, participation in these programs subjects the Medical Center to significant rules and regulations; failure to adhere to such could result in fines, penalties or expulsion from the programs.

The Medicare program pays for inpatient services on a prospective basis. Payments are based upon diagnostic related group assignments, which are determined by the patient's clinical diagnosis and medical procedures utilized.

The Medicare program reimburses for outpatient services under a prospective method utilizing an ambulatory payment classification system which classifies outpatient services based upon medical procedures and diagnosis codes.

The Medical Center contracts with various managed care organizations under the TennCare program. TennCare reimbursement for both inpatient and outpatient services is based upon prospectively determined rates and per diem amounts.

Net patient service revenue related to Medicare and TennCare was approximately \$172,000,000 and \$25,000,000, respectively, in 2017 and approximately \$161,000,000 and \$25,000,000, respectively, in 2016. Laws and regulations governing the Medicare and TennCare programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The filed cost reports are subject to audits, reviews, and investigations.

The Medical Center has also entered into reimbursement agreements with certain commercial insurance companies, health maintenance organizations and preferred provider organizations. The basis for reimbursement under these agreements includes prospectively determined rates per discharge, per diem rates, case rates and discounts from established charges.

Contractual adjustments under third-party reimbursement programs also include any differences between estimated settlements for prior years and subsequent tentative or final settlements. The adjustments resulting from tentative or final settlements to estimated reimbursement amounts resulted in an increase in net patient service revenue of approximately \$2,492,000 and \$3,137,000 for the years ended June 30, 2017 and 2016, respectively.

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The American Recovery and Reinvestment Act of 2009 (ARRA) established incentive payments under the Medicare and Medicaid programs for hospitals that implemented “meaningful use” certified electronic health records (EHR) technology. In order to receive incentive payments, a hospital which is able to meet the meaningful use criteria must attest that during the EHR reporting period, the hospital used certified EHR technology and specify the technology used, satisfied the required meaningful use objectives and associated measures for the applicable stage, and must specify the EHR reporting period and provide the result of each applicable measure for all patients admitted to the inpatient or emergency department of the hospital during the EHR reporting period for which a selected measure is applicable. A hospital may receive an incentive payment for up to four years, provided it successfully demonstrates meaningful use of certified EHR technology for the EHR reporting period. Hospitals that adopt a certified EHR system and are meaningful users can begin receiving incentive payments in any federal fiscal year from 2011 (October 1, 2010 - September 30, 2011) to 2015; however, the incentive payments will decrease in hospitals that first start receiving payments in federal fiscal year 2014 or 2015.

The Medical Center attested to achieving the Medicare meaningful use criteria during 2017 and 2016. The Medical Center recognized income from Medicare of approximately \$1,002,000 and \$1,661,000 in 2017 and 2016, respectively. There was no income recognized from Medicaid in 2017 or 2016. Compliance with meaningful use criteria is subject to audit by the federal government or its designee and incentive payments are subject to adjustment in a future period.

The income is reported as other revenue in the accompanying statements of revenue, expenses and changes in net position.

NOTE E--INVESTMENTS AND ASSETS LIMITED AS TO USE

The Medical Center’s investments (including assets limited as to use) are reported at estimated fair value based on quoted market prices. The Medical Center invests in U.S. government agency collateral-backed bonds and sponsored enterprise securities and certificates of deposit that are in accordance with the Medical Center’s investment policy.

The carrying amounts of deposits and investments included in the Medical Center’s statements of net position are as follows:

	<i>June 30,</i>	
	<i>2017</i>	<i>2016</i>
Carrying amount:		
Cash and cash equivalents	\$ 54,362,364	\$ 48,264,178
Investments	10,017,710	14,463,605
Total deposits and investments	<u>\$ 64,380,074</u>	<u>\$ 62,727,783</u>

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Years Ended June 30, 2017 and 2016

	<i>June 30,</i>	
	<i>2017</i>	<i>2016</i>
Included in the following statements of net position captions:		
Cash and cash equivalents	\$ 44,362,364	\$ 38,264,178
Short-term investments	502,782	282
Long-term investments	9,514,928	14,463,323
Assets internally designated for capital acquisition	10,000,000	10,000,000
	<u>\$ 64,380,074</u>	<u>\$ 62,727,783</u>

Interest Rate Risk: This is the risk that changes in interest rates will adversely affect the fair value of an investment. The Medical Center's investment policy limits the "average life" or repricing period of the portfolio as a whole to 5.5 years in order to minimize market value fluctuations.

The distribution of the Medical Center's investments and assets limited as to use by maturity as of June 30, 2017 is as follows:

	<i>Fair Value</i>	<i>Investment Maturities (in Years)</i>			
		<i>Less Than 1</i>	<i>1 - 5</i>	<i>6 - 10</i>	<i>More Than 10</i>
Undesignated	\$ 10,017,710	\$ 502,782	\$ 1,062,531	\$ -	\$ 8,452,397
Assets internally designated for capital acquisition	10,000,000	10,000,000	-	-	-
Cash and cash equivalents	44,362,364	44,362,364	-	-	-
Total	<u>\$ 64,380,074</u>	<u>\$ 54,865,146</u>	<u>\$ 1,062,531</u>	<u>\$ -</u>	<u>\$ 8,452,397</u>

Credit Risk: The Medical Center's investment policy requires that investments be made only in U.S. government agency securities, U.S. Treasury securities, mortgage-backed securities, collateralized mortgage obligations, certificates of deposits, and repurchase agreements. The Medical Center has no investment policy that would further limit its investment choices. As of June 30, 2017, \$3,200, 907 of the Medical Center's investments were backed by the full faith of the U.S. Government and \$6,816,803 were invested in securities with a Moody's Investment Service rating of Aaa and a Standard and Poor's Rating Agency rating of AA+.

Custodial Credit Risk: The Medical Center's investment securities may be exposed to custodial credit risk at certain times when the securities are uninsured, are not registered in the name of the Medical Center, and are held by either the counterparty or the counterparty's trust department or agent but not in the Medical Center's name. The investment risk is that, in the event of the failure of the counterparty to a transaction, the Medical Center will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Medical Center's investments are held by the counterparty, or by its trust department or agent, in the Medical Center's name.

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Notes to Financial Statements - Continued

Years Ended June 30, 2017 and 2016

Concentration of Credit Risk: The Medical Center places limits on the portfolio composition of the following investment types: U.S. Treasury and agency securities, mortgage-backed securities, collateralized mortgage obligations, certificates of deposits, and repurchase agreements. No more than \$1,500,000 may be invested in any one security. At June 30, 2017, no more than \$1,500,000 is invested in any one investment security. As of June 30, 2017 and 2016, the Medical Center's investments consist of collateral-backed bonds and sponsored enterprise securities, all of which are issued by U.S. government or sponsored agencies.

Investment income for assets limited as to use and other investments is comprised of the following for the years ended June 30:

	<i>2017</i>	<i>2016</i>
Interest income, net of realized gains/losses	\$ 563,211	\$ 412,389
Unrealized (loss) gain on investments	(147,308)	(84,392)
	<u>\$ 415,903</u>	<u>\$ 327,997</u>

NOTE F--PROPERTY AND EQUIPMENT, NET

The Authority's rights to use of the capital assets of the Medical Center, which belong to the City of Cookeville, are defined in the Private Act and in the agreement between the City and the Authority as discussed in Note A. A summary of property and equipment and schedule of activity is as follows:

	<i>Balance at June 30, 2016</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at June 30, 2017</i>
Land	\$ 16,391,295	\$ 377,287	\$ -	\$ -	\$ 16,768,582
Land improvements	6,009,583	-	-	-	6,009,583
Building	194,011,995	288,378	-	566,938	194,867,311
Automobiles	170,253	129,502	(26,500)	-	273,255
Equipment	89,803,835	3,682,724	(2,558,024)	3,549,517	94,478,052
Equipment under capitalized leases	5,564,021	-	(3,570,680)	-	1,993,341
	<u>311,950,982</u>	<u>4,477,891</u>	<u>(6,155,204)</u>	<u>4,116,455</u>	<u>314,390,124</u>
Less: accumulated depreciation and amortization:					
Land improvements	3,152,181	262,625	-	-	3,414,806
Building	59,339,885	6,120,969	-	-	65,460,854
Automobiles	148,335	27,109	(26,500)	-	148,944
Equipment	77,390,064	8,674,645	(2,208,780)	-	83,855,929
Equipment under capitalized leases	5,564,021	-	(3,570,680)	-	1,993,341
	<u>145,594,486</u>	<u>15,085,348</u>	<u>(5,805,960)</u>	<u>-</u>	<u>154,873,874</u>
Construction in progress	658,349	6,869,774	(22,923)	(4,116,455)	3,388,745
	<u>\$ 167,014,845</u>	<u>\$ (3,737,683)</u>	<u>\$ (372,167)</u>	<u>\$ -</u>	<u>\$ 162,904,995</u>

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	<i>Balance at</i> <i>June 30, 2015</i>	<i>Additions</i>	<i>Retirements</i>	<i>Transfers</i>	<i>Balance at</i> <i>June 30, 2016</i>
Land	\$ 16,270,720	\$ 290,300	\$ (169,725)	\$ -	\$ 16,391,295
Land improvements	6,009,583	-	-	-	6,009,583
Building	184,590,923	354,774	(147,180)	9,213,478	194,011,995
Automobiles	141,819	28,434	-	-	170,253
Equipment	87,619,741	4,168,292	(4,538,362)	2,554,164	89,803,835
Equipment under capitalized leases	5,564,021	-	-	-	5,564,021
	300,196,807	4,841,800	(4,855,267)	11,767,642	311,950,982
Less: accumulated depreciation and amortization:					
Land improvements	2,884,264	267,917	-	-	3,152,181
Building	53,602,644	5,740,586	(3,345)	-	59,339,885
Automobiles	141,819	6,516	-	-	148,335
Equipment	73,003,712	8,934,363	(4,548,011)	-	77,390,064
Equipment under capitalized leases	5,564,021	-	-	-	5,564,021
	135,196,460	14,949,382	(4,551,356)	-	145,594,486
Construction in progress	8,024,367	4,401,624	-	(11,767,642)	658,349
	<u>\$ 173,024,714</u>	<u>\$ (5,705,958)</u>	<u>\$ (303,911)</u>	<u>\$ -</u>	<u>\$ 167,014,845</u>

Construction in progress at June 30, 2017 consists of the cardiovascular operating room relocation and expansion and the new vascular lab project. Estimated costs to complete these projects amounted to approximately \$5,291,000 at June 30, 2017.

NOTE G--INVESTMENT IN JOINT VENTURE

The Medical Center previously entered into a joint venture with an unrelated management company and several physicians to own and operate Upper Cumberland Physicians' Surgery Center (the Surgery Center) which began operations during the year ended June 30, 2004. The Medical Center has a 50% interest in the venture. The Medical Center recognizes its equity in the income/loss of the Surgery Center as part of other nonoperating revenue. Condensed financial information for the Surgery Center as of June 30, 2017 and 2016 is as follows (unaudited):

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Years Ended June 30, 2017 and 2016

	<i>Year Ended June 30,</i>	
	<i>2017</i>	<i>2016</i>
Assets	\$ 2,255,000	\$ 2,219,000
Liabilities	\$ 381,000	\$ 525,000
Member's equity	1,874,000	1,694,000
	<u>\$ 2,255,000</u>	<u>\$ 2,219,000</u>

NOTE H--LONG-TERM DEBT

The obligations of the Authority with respect to repayment of the City's debt related to the Medical Center facilities are defined in the Private Act and in the agreement between the City and the Authority as discussed in Note A. A schedule of changes in the Medical Center's long-term debt is as follows:

	<i>Balance at</i>			<i>Balance at</i>	<i>Amounts Due</i>
	<i>June 30, 2016</i>	<i>Additions</i>	<i>Reductions</i>	<i>June 30, 2017</i>	<i>Within</i>
					<i>One Year</i>
Series 2009 Bonds	\$ 26,135,000	\$ -	\$ (777,206)	\$ 25,357,794	\$ 810,071
Series 2010-A Bonds	9,783,415	-	(600,785)	9,182,630	626,190
Series 2010-B Bonds	13,194,085	-	(809,509)	12,384,576	843,740
Build America Bonds Series 2010	26,100,000	-	(930,000)	25,170,000	980,000
Companion Instrument	266,325	-	(266,325)	-	-
	<u>\$ 75,478,825</u>	<u>\$ -</u>	<u>\$ (3,383,825)</u>	<u>\$ 72,095,000</u>	<u>\$ 3,260,001</u>

	<i>Balance at</i>			<i>Balance at</i>	<i>Amounts Due</i>
	<i>June 30, 2015</i>	<i>Additions</i>	<i>Reductions</i>	<i>June 30, 2016</i>	<i>Within</i>
					<i>One Year</i>
Series 2009 Bonds	\$ 26,855,000	\$ -	\$ (720,000)	\$ 26,135,000	\$ 777,206
Series 2010-A Bonds	10,365,970	-	(582,555)	9,783,415	600,785
Series 2010-B Bonds	13,979,030	-	(784,945)	13,194,085	809,509
Build America Bonds Series 2010	26,980,000	-	(880,000)	26,100,000	930,000
Companion Instrument	735,076	-	(468,751)	266,325	266,325
	<u>\$ 78,915,076</u>	<u>\$ -</u>	<u>\$ (3,436,251)</u>	<u>\$ 75,478,825</u>	<u>\$ 3,383,825</u>

During the year ended June 30, 2010, the Medical Center issued \$30,000,000 Revenue Refunding Bonds (the Series 2009 Bonds) in order to partially redeem the then outstanding balance of the Series 2006 Bonds. Also during 2010, the Medical Center issued \$12,775,000 Revenue Refunding Bonds (Series 2010-A) and \$17,225,000 Revenue Refunding Bonds (Series 2010-B) (collectively, the Series 2010 Bonds) in order to fully redeem or pay off the then-

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outstanding balance of the Series 2001 A-2, 2001 A-3, and Series 2006 Bonds. The Series 2009 Bonds and Series 2010 Bonds bear interest at a variable rate, equal to the sum of 65% of the sum of the 30-day London Interbank Offered Rate (LIBOR) plus 2%, plus .25%. The rate was 2.03% and 1.61% at June 30, 2017 and 2016, respectively. The interest rates on the Series 2009 Bonds and Series 2010 Bonds were effectively converted to fixed rates utilizing an interest rate swap agreement through December 31, 2016, the date the term of the swap expired (Note I).

The Series 2009 Bonds and Series 2010 Bonds had maturity dates of December 30, 2016 and January 19, 2017, respectively, and are subject to prepayment, in whole or in part, for a prepayment price equal to the principal amount to be repaid plus interest accrued, without penalty. Any partial prepayment of the Series 2009 Bonds or Series 2010 Bonds must be made on a prorata basis, and applied to future scheduled principal payments in reverse chronological order.

During 2017, the Medical Center reached agreements with its existing lenders to refinance, and extend the maturity date for, the Series 2009 Bonds and Series 2010 Bonds. The Series 2009 Bonds and Series 2010 Bonds maturity dates have been extended to June 26, 2020 and July 17, 2020, respectively. The new agreements require semiannual principal reductions and the variable interest rate terms and covenants remained unchanged from the existing agreements.

During the year ended June 30, 2011, the Medical Center issued \$30,000,000 Build America Bonds Series 2010. The Build America Bonds bear interest at a variable rate, equal to the sum of the 30-day LIBOR plus 1.85%. The rate was 2.98% and 2.29% at June 30, 2017 and 2016, respectively. These Bonds also provide for a refundable tax credit paid to the Medical Center by the United States Treasury Department and the Internal Revenue Service in an amount equal to 35% of the total coupon interest payable on these taxable bonds. The Medical Center recognizes this refund as a reduction to interest expense in the financial statements. The Build American Bonds have a maturity date of December 1, 2034.

The debt service requirements at June 30, 2017 related to long-term debt are as follows:

<i>Principal Maturities or Sinking Fund Requirements</i>					<i>Interest</i>			
<i>Year Ending June 30,</i>	<i>Series 2009 Bonds</i>	<i>Series 2010-A Bonds</i>	<i>Series 2010-B Bonds</i>	<i>Build America Bonds Series 2010</i>	<i>Series 2009 Bonds</i>	<i>Series 2010-A Bonds</i>	<i>Series 2010-B Bonds</i>	<i>Build America Bonds Series 2010</i>
2018	\$ 810,071	\$ 626,190	\$ 843,740	\$ 980,000	\$ 518,129	\$ 185,940	\$ 250,780	\$ 737,058
2019	831,389	642,669	865,943	1,030,000	501,337	172,959	233,290	706,368
2020	23,716,334	659,147	888,146	1,080,000	564,113	160,067	215,920	675,994
2021	-	7,254,624	9,786,747	1,130,000	-	37,249	50,251	640,463
2022	-	-	-	1,180,000	-	-	-	605,249
2023	-	-	-	1,230,000	-	-	-	568,526
2024	-	-	-	1,280,000	-	-	-	531,722
2025	-	-	-	1,340,000	-	-	-	490,330

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<i>Principal Maturities or Sinking Fund Requirements</i>					<i>Interest</i>			
<i>Year Ending June 30,</i>	<i>Series 2009 Bonds</i>	<i>Series 2010-A Bonds</i>	<i>Series 2010-B Bonds</i>	<i>Build America Bonds Series 2010</i>	<i>Series 2009 Bonds</i>	<i>Series 2010-A Bonds</i>	<i>Series 2010-B Bonds</i>	<i>Build America Bonds Series 2010</i>
2026	-	-	-	1,400,000	-	-	-	448,556
2027	-	-	-	1,460,000	-	-	-	404,971
2028	-	-	-	1,520,000	-	-	-	360,530
2029	-	-	-	1,580,000	-	-	-	312,373
2030	-	-	-	1,650,000	-	-	-	263,133
2031	-	-	-	1,720,000	-	-	-	211,781
2032	-	-	-	1,780,000	-	-	-	158,942
2033	-	-	-	1,860,000	-	-	-	103,046
2034	-	-	-	1,940,000	-	-	-	45,134
2035	-	-	-	1,010,000	-	-	-	-
	\$ 25,357,794	\$ 9,182,630	\$ 12,384,576	\$ 25,170,000	\$ 1,583,579	\$ 556,215	\$ 750,241	\$ 7,264,176

Interest amounts for the Series 2009 Bonds and Series 2010 Bonds included in the table above are based on current rates in effect at June 30, 2017.

The bond indentures related to the various bond issues contain covenants with which the Medical Center must comply. These requirements include maintenance of certain liquidity ratios and insurance coverage, limitations on additional indebtedness and guarantees, use of facilities and disposals of property, among other things. The Medical Center was in compliance with these covenants as of June 30, 2017 and 2016.

NOTE I--DERIVATIVE INSTRUMENTS

During 2010, the Medical Center entered into a pay fixed/receive floating interest rate swap transaction with a \$60,000,000 notional amount. The interest rate swap was entered as a cash flow hedge to manage the interest rate risk associated with the Medical Center's Series 2009 Bonds and Series 2010 Bonds (Note H). As a part of this transaction, the Medical Center received an up-front payment of \$3,410,000 in the form of a borrowing from the counterparty, which was used to terminate the interest rate swaps previously held. As a result, the fixed rate on the interest rate swap was adjusted to account for this borrowing. This off-market interest rate swap was therefore considered a hybrid instrument, composed of the borrowing (the Companion Instrument) and an interest rate swap. The Companion Instrument was recorded as debt for financial reporting purposes at its amortized historical cost (Note H). Amortization of the Companion Instrument is reported as interest expense in the financial statements. The companion instrument was fully amortized at the time of the refinancing of the Medical Center's Series 2009 Bonds and Series 2010 Bonds and the interest rate swap agreement's term expired December 31, 2016.

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Years Ended June 30, 2017 and 2016

NOTE J--LEASES

The Medical Center leases equipment and office space primarily under operating lease agreements. Future minimum lease payments under noncancellable operating leases with initial or remaining lease terms in excess of one year as of June 30, 2017 are as follows:

<i>Year Ending June 30,</i>	<i>Operating Leases</i>
2018	\$ 533,090
2019	436,897
2020	241,638
2021	193,863
2022	150,308
2023-2025	185,163
Total future minimum lease payments	<u>\$ 1,740,959</u>

Total rental expense was \$2,165,359 and \$1,787,212 for the years ended June 30, 2017 and 2016, respectively.

NOTE K--RETIREMENT PLANS

General Information About the Pension Plan

Plan Description: Employees of the Medical Center are provided a defined benefit pension plan through the Public Employee Retirement Plan, an agent multiple-employer pension plan administered by the TCRS. The TCRS was created by state statute under Tennessee Code Annotated Title 8, Chapters 34-37. The TCRS Board of Trustees is responsible for the proper operation and administration of the TCRS. The Tennessee Treasury Department, an agency in the legislative branch of state government, administers the plans of the TCRS. The TCRS issues a publicly available financial report that can be obtained at www.treasury.tn.gov/tcrs.

Benefits Provided: Tennessee Code Annotated, Title 8, Chapters 34-37, establishes the benefit terms and can be amended only by the Tennessee General Assembly. The chief legislative body may adopt the benefit terms permitted by statute. Members are eligible to retire with an unreduced benefit at age 60 with five years of service credit or after 30 years of service credit regardless of age. Benefits are determined by a formula using the member's highest five consecutive year average compensation and the member's years of service credit. Reduced benefits for early retirement are available at age 55 and vested. Members vest with five years of service credit. Service related disability benefits are provided regardless of length of service. Five years of service is required for non-service related disability eligibility. The service related

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and non-service related disability benefits are determined in the same manner as a service retirement benefit but are reduced 10 percent and include projected service credits. A variety of death benefits are available under various eligibility criteria.

Member and beneficiary annuitants are entitled to automatic cost of living adjustments (COLAs) after retirement. A COLA is granted each July for annuitants retired prior to the 2nd of July of the previous year. The COLA is based on the change in the consumer price index (CPI) during the prior calendar year, capped at three percent, and applied to the current benefit. No COLA is granted if the change in the CPI is less than one-half percent. A one percent COLA is granted if the CPI change is between one-half percent and one percent. A member who leaves employment may withdraw their employee contributions, plus any accumulated interest.

Employees Covered by Benefit Terms: At the measurement date of June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	294
Inactive employees entitled to but not yet receiving benefits	428
Active employees	418
	<hr/>
	1,140

The Medical Center withdrew from TCRS effective July 1, 2006. Employees hired after the date of withdrawal are not eligible to participate in TCRS. Employees active as of the withdrawal date will continue to accrue salary and service credit in TCRS. The employer remains responsible for the pension liability for employees that were active as of the withdrawal date and for retirees of the employer.

Contributions: Contributions for employees are established in the statutes governing the TCRS and may only be changed by the Tennessee General Assembly. The Medical Center adopted a noncontributory retirement plan for its employees by assuming employee contributions up to 5.0% of annual covered payroll. The Medical Center makes employer contributions at the rate set by the Board of Trustees as determined by an actuarial valuation. For the year ended June 30, 2016, the Actuarially Determined Contribution (ADC) for the Medical Center was \$2,732,757 based on a rate of 10.52 percent of covered payroll. By law, employer contributions are required to be paid. The TCRS may intercept the Medical Center's state shared taxes if required employer contributions are not remitted. The employer's ADC and member contributions are expected to finance the costs of benefits earned by members during the year, the cost of administration, as well as an amortized portion of any unfunded liability.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(Cookeville Regional Medical Center and Affiliates)

Notes to Financial Statements - Continued

Years Ended June 30, 2017 and 2016

Net Pension Asset: The Medical Center's net pension asset was measured as of June 30, 2016, and the total pension liability (asset) used to calculate net pension asset was determined by an actuarial valuation as of that date.

Actuarial Assumptions: The total pension liability as of June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary Increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation, averaging 4.25 percent
Investment rate of return	7.5 percent, net of pension plan investment expenses, including inflation
Cost-of-Living Adjustment	2.5 percent

Mortality rates were based on actual experience from the June 30, 2012 actuarial experience study adjusted for some of the expected future improvement in life expectancy.

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study performed for the period July 1, 2008 through June 30, 2012. The demographic assumptions were adjusted to more closely reflect actual and expected future experience.

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees in conjunction with the June 30, 2012 actuarial experience study by considering the following three techniques: (1) the 25-year historical return of the TCRS at June 30, 2012, (2) the historical market returns of asset classes from 1926 to 2012 using the TCRS investment policy asset allocation, and (3) capital market projections that were utilized as a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. Four sources of capital market projections were blended and utilized in the third technique. The blended capital market projection established the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding inflation of three percent. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(Cookeville Regional Medical Center and Affiliates)

Notes to Financial Statements - Continued

Years Ended June 30, 2017 and 2016

<i>Asset Class</i>	<i>Long-Term Expected Real Rate of Return</i>	<i>Target Allocation</i>
U.S. equity	6.46%	33%
Developed market international equity	6.26%	17%
Emerging market international equity	6.40%	5%
Private equity and strategic lending	4.61%	8%
U.S. fixed income	0.98%	29%
Real estate	4.73%	7%
Short-term securities	0.00%	1%
		<u>100%</u>

The long-term expected rate of return on pension plan investments was established by the TCRS Board of Trustees as 7.5 percent based on a blending of the three factors described above.

Discount rate: The discount rate used to measure the total pension liability was 7.5 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current rate and that contributions from the Medical Center will be made at the actuarially determined contribution rate pursuant to an actuarial valuation in accordance with the funding policy of the TCRS Board of Trustees and as required to be paid by state statute. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Asset

	<i>Total Pension Liability (a)</i>	<i>Increase (Decrease) Plan Fiduciary Net Position (b)</i>	<i>Net Pension Liability (Asset) (a) - (b)</i>
Balance at June 30, 2015	\$ 90,587,239	\$ 100,865,340	\$ (10,278,101)
Changes for the year:			
Service Cost	1,786,393	-	1,786,393
Interest	6,859,528	-	6,859,528
Differences between expected and actual experience	(1,038,502)	-	(1,038,502)
Contributions-employer	-	2,723,757	(2,723,757)
Contributions-employees	-	-	-
Net investment income	-	2,686,745	(2,686,745)

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(Cookeville Regional Medical Center and Affiliates)

Notes to Financial Statements - Continued

Years Ended June 30, 2017 and 2016

	<i>Total Pension Liability (a)</i>	<i>Increase (Decrease) Plan Fiduciary Net Position (b)</i>	<i>Net Pension Liability (Asset) (a) - (b)</i>
Benefit payments, including refunds of employee contributions	(1,826,507)	(1,826,507)	-
Administrative expense	-	(32,476)	32,476
Net Changes	5,780,912	3,551,519	2,229,393
Balance at June 30, 2016	\$ 96,368,151	\$ 104,416,859	\$ (8,048,708)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate: The following presents the net pension asset of the Medical Center calculated using the discount rate of 7.5 percent, as well as what the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.5 percent) or 1-percentage-point higher (8.5 percent) than the current rate:

	<i>1% Decrease (6.5%)</i>	<i>Current Discount Rate (7.5%)</i>	<i>1% Increase (8.5%)</i>
The Medical Center's net pension liability (asset)	\$ 6,863,878	\$ (8,048,708)	\$(20,271,953)

Negative Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

Negative Pension Expense: For the year ended June 30, 2017, the Medical Center recognized negative pension expense of \$370,563.

Deferred outflows of resources and deferred inflows of resources: For the year ended June 30, 2017, the Medical Center reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<i>Deferred Outflows of Resources</i>	<i>Deferred Inflows of Resources</i>
Differences between expected and actual experience	\$ -	\$ 3,852,986
Net difference between projected and actual earnings on pension plan investments	3,514,123	-
Contributions subsequent to the measurement date of June 30, 2016	2,464,719	(not applicable)
Total	\$ 5,978,842	\$ 3,852,986

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(Cookeville Regional Medical Center and Affiliates)

Notes to Financial Statements - Continued

Years Ended June 30, 2017 and 2016

The amount shown above for “contributions subsequent to the measurement date of June 30, 2016,” will be recognized as an increase to net pension asset in the subsequent measurement period.

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<i>Year Ending June 30:</i>	
2018	\$ (1,451,630)
2019	(1,451,630)
2020	1,582,281
2021	982,117
2022	-
Thereafter	-

Payable to the Pension Plan: At June 30, 2017, the Medical Center reported a payable of \$258,058 for the outstanding amount of contributions to the pension plan in accrued salaries and related liabilities in the statement of net position as of the year ended June 30, 2017.

Prior to July 1, 2006, the Medical Center offered one retirement option, the pension plan. Effective July 1, 2006, the Medical Center offered two retirement options to those employees who were hired on or before June 30, 2006, the pension plan and the CRMC 401(k) Plan (the Plan). Those employees that were hired by the Medical Center on or before June 30, 2006, were given a choice to continue participation in the pension plan or begin participating in the Plan. For the employees that left the pension plan and opted for the Plan, the Medical Center makes a special nonelective contribution of up to 7.0% of annual covered payroll. The Medical Center’s special nonelective contributions to the Plan for these employees were \$178,581 and \$198,596 for the years ended June 30, 2017 and 2016, respectively.

The Medical Center ceased to offer the pension plan for employees hired by the Medical Center on or after July 1, 2006. The Plan is open to all employees hired on or after July 1, 2006. Cookeville Regional Medical Center Authority, the Plan Administrator, maintains the records of the trust which holds all investments of the Plan. The Plan Administrator has the right to amend the Plan at any time. The Plan is a defined contribution plan covering all employees who have completed six months of service. Contributions by participants are made by entering into a salary reduction agreement to reduce the participant’s compensation by a specified percentage not to exceed the limits established by the Internal Revenue Service. The Medical Center can make any combination of discretionary nonelective employer contributions, employer matching contributions, and selected nonelective contributions. The employer matching contributions and selected nonelective contributions can be made for any employee, no matter the number of hours

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(Cookeville Regional Medical Center and Affiliates)

Notes to Financial Statements - Continued

Years Ended June 30, 2017 and 2016

of service; however, the employer discretionary nonelective contribution will only be made for employees who have completed 1,000 hours of service.

Vesting of the Medical Center's contributions on behalf of the participants in the Plan is as follows: service of one year - 20%, two years - 40%, three years - 60%, four years - 80%, and five or more years - 100%.

The Medical Center's contributions, including the special nonelective contributions, to the Plan were \$1,383,196 and \$1,196,779 for the years ended June 30, 2017 and 2016, respectively. The plan members' contributions to the Plan were \$3,341,384 and \$3,218,376 for the years ended June 30, 2017 and 2016, respectively.

NOTE L--OTHER RECEIVABLES

Other current and long-term receivables at June 30, 2017 and 2016 include \$649,779 and \$1,311,147, respectively, in receivables from certain physicians which were made as part of the Medical Center's recruitment program to attract physicians to the Medical Center's service area. Under terms of the related agreements, such receivables will be forgiven over a period of time, generally over three years, as long as the physician continues to practice in the area. The Medical Center is amortizing these loans over the physicians' service commitments.

NOTE M--COMMITMENTS AND CONTINGENCIES

Medical malpractice liability is limited under provisions of the Tennessee Governmental Tort Liability Act (T.C.A. 29-20-403, et seq.), which removed tort liability from governmental entities which, in the opinion of counsel for the Medical Center, includes the Medical Center. In addition to requiring claims to be made in conformance with this Act, special provisions include, but are not limited to, special notice of requirements imposed upon the claimant, a one-year statute of limitations, and a provision requiring that the governmental entity purchase insurance or be self-insured within certain limits. This Act also prohibits a judgment or award exceeding the minimum amounts of insurance coverage set out in the Act (\$300,000 for bodily injury or death of any one person and \$700,000 in the aggregate for all persons in any one accident, occurrence or act) or the amount of insurance purchased by the governmental entity.

During 2003, the Medical Center became self-insured for medical malpractice claims due to the fact that their professional liability carrier became insolvent. There are known incidents occurring through June 30, 2017 that have resulted in the assertion of claims, although other claims may be asserted, arising from services provided to patients in the past. Management of the Medical Center is of the opinion that such liability, if any, related to these asserted claims will not have a material effect on the Medical Center's financial position. No amounts have been accrued for potential losses related to unreported incidents, or reported incidents which have not yet resulted in asserted claims, as the Medical Center is not able to estimate such amounts.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
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Notes to Financial Statements - Continued

Years Ended June 30, 2017 and 2016

The Medical Center is self-insured for medical and other healthcare benefits provided to its employees and their families. The Medical Center maintains reinsurance through a commercial excess coverage policy which covers health claims in excess of \$200,000 per employee, with an unlimited lifetime reimbursement. Contributions by the Medical Center and participating employees are based on actual claims experience. Claims liabilities are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an estimated amount for claims that have been incurred but not reported based on historical experience. Claims liabilities are re-evaluated periodically to take into consideration recently settled claims, the frequency of claims, and other factors. The amount of the estimated claim liabilities was \$1,632,820 and \$1,513,517 at June 30, 2017 and 2016, respectively. Total expenses under this program amounted to approximately \$15,220,000 and \$13,770,000 for the years ended June 30, 2017 and 2016, respectively.

The Medical Center is also self-insured for workers' compensation with umbrella coverage in excess of \$600,000 per case up to an aggregate of approximately \$1,000,000. Claim liabilities are recorded when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. At June 30, 2017 and 2016, approximately \$1,118,000 and \$800,000, respectively, was accrued and included in other accrued expenses on the statements of net position for estimated claims incurred but not reported.

Healthcare Industry: The healthcare industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government healthcare program participation requirements, reimbursement for patient services, Medicare fraud and abuse, and under the provisions of the Health Insurance Portability and Accountability Act of 1996, matters related to patient records, privacy and security. Government activity has increased with respect to investigations and allegations concerning possible violations of fraud and abuse statutes and regulations by healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time.

The Centers for Medicare and Medicaid Services (CMS) have implemented a Recovery Audit Contractors (RAC) program. The purpose of the program is to reduce improper Medicare payments through the detection and recovery of overpayments. CMS has engaged subcontractors to perform these audits and they are being compensated on a contingency basis based on the amount of overpayments that are recovered. While management believes that all Medicare

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
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Notes to Financial Statements - Continued

Years Ended June 30, 2017 and 2016

billings are proper and adequate support is maintained, certain aspects of Medicare billing, coding and support are subject to interpretation and may be viewed differently by the RAC auditors. At June 30, 2017 and 2016, the Medical Center recorded a reserve which is shown as a reduction in patient accounts receivable in the accompanying statements of net position. The reserve is based on the percentage success rate and the total dollar of potential claims that are under audit.

Healthcare Reform: In March 2010, Congress adopted comprehensive healthcare insurance legislation, the Patient Care Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the Health Care Reform Legislation). The Health Care Reform Legislation, among other matters, is designed to expand access to healthcare coverage to substantially all citizens through a combination of public program expansion and private industry health insurance. Changes to existing TennCare coverage and payments have occurred, and are expected to continue to occur, as a result of this legislation. Implementing regulations are required as a result of such legislation over a period of several years. Accordingly, the impact of any future regulations is not determinable.

NOTE N--PHYSICIAN EMPLOYMENT COMMITMENTS

Beginning in 2012, certain physicians were offered employment agreements with the Medical Center. Under such agreements, the Medical Center is required to pay annual compensation to these physicians. These agreements are typically for 3-5 years. Future minimum compensation commitments under employment agreements at June 30, 2017, are as follows:

<u><i>Year Ending June 30,</i></u>	
2018	\$ 13,798,004
2019	10,063,966
2020	6,363,564
2021	4,532,500
	<u>\$ 34,758,034</u>

NOTE O--RELATED PARTY TRANSACTIONS

Related party transactions with the City of Cookeville include payments in lieu of taxes of \$700,000 during each of the years ended June 30, 2017 and 2016. Operating expenses also include \$2,709,576 and \$2,995,768 in 2017 and 2016, respectively, for the purchase of utilities.

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
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Notes to Financial Statements - Continued

Years Ended June 30, 2017 and 2016

NOTE P--FAIR VALUE MEASUREMENT

GASB Statement No. 72 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As such, GASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB describes fair value as an exit price where measurement assumes a transaction takes place in an entity's principal market, or most advantageous market in the absence of a principal market, and the market participants are acting in their economic best interests. GASB Statement No. 72 requires an entity to use valuation techniques that are appropriate under the circumstances and for which sufficient data are available to measure fair value. Valuation techniques should be applied consistently and maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Valuation Hierarchy: GASB Statement No. 72 establishes a hierarchy of inputs to valuation techniques used to measure fair value. The hierarchy has three levels which are defined as follows:

- *Level 1:* Inputs to the valuation technique are quoted prices (unadjusted) for identical assets or liabilities in active markets.
- *Level 2:* Inputs to the valuation technique, other than quoted prices within *Level 1*, that are observable for an asset or liability, either directly or indirectly.
- *Level 3:* Inputs to the valuation technique are unobservable.

In instances where the determination of the fair value hierarchy measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The Medical Center's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

The following table presents assets and liabilities reported at fair value as of June 30, 2017 and 2016, and their respective classification under the GASB Statement No. 72 valuation hierarchy:

COOKEVILLE REGIONAL MEDICAL CENTER AUTHORITY
(Cookeville Regional Medical Center and Affiliates)

Notes to Financial Statements - Continued

Years Ended June 30, 2017 and 2016

Fair Value Measurement on a Recurring Basis as of June 30, 2017:

	<i>Carrying Value</i>	<i>Quoted Prices in Active Markets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
Assets:				
United States government agency bonds	\$ 8,671,114	\$ -	\$ 8,671,114	\$ -
United States government sponsored enterprise securities	1,346,596	-	1,346,596	-
	<u>\$ 10,017,710</u>	<u>\$ -</u>	<u>\$ 10,017,710</u>	<u>\$ -</u>

Fair Value Measurement on a Recurring Basis as of June 30, 2016:

	<i>Carrying Value</i>	<i>Quoted Prices in Active Markets (Level 1)</i>	<i>Significant Other Observable Inputs (Level 2)</i>	<i>Significant Unobservable Inputs (Level 3)</i>
Assets:				
United States government agency bonds	\$ 14,463,605	\$ -	\$ 14,463,605	\$ -
Liabilities:				
Interest rate swap	\$ 541,008	\$ -	\$ 541,008	\$ -

United States government agency bonds and sponsored enterprise securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationships to benchmark quoted prices. The interest rate swap classified in Level 2 of the fair value hierarchy is valued using a market approach that considers benchmark interest rates.

NOTE Q--SUBSEQUENT EVENTS

Subsequent events have been evaluated through the date of the Independent Auditor's Report, which is the date the financial statements were available to be issued. During this period, management did not note any material recognizable subsequent events that should be disclosed in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF COOKEVILLE, TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in Net Pension Liability (Asset) and Related Ratios

Based on Participation in the Public Employee Pension Plan of the TCRS

Last Fiscal Year ending June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Pension Liability			
Service cost	\$ 1,679,057	\$ 1,689,810	\$ 1,702,180
Interest	8,203,522	8,602,992	8,944,486
Changes of benefit terms	-	-	4,282,656
Differences between expected and actual experience	(64,380)	(713,628)	(542,888)
Changes of assumptions	-	-	-
Benefit Payments, including refunds of employee contributions	<u>(4,427,527)</u>	<u>(4,577,856)</u>	<u>(5,498,724)</u>
Net Change in Total Pension Liability (Asset)	5,390,672	5,001,318	8,887,710
Total Pension Liability (Asset) - beginning	<u>109,915,000</u>	<u>115,305,672</u>	<u>120,306,990</u>
Total Pension Liability (Asset) - ending (a)	<u><u>\$ 115,305,672</u></u>	<u><u>\$ 120,306,990</u></u>	<u><u>\$ 129,194,700</u></u>
 Plan Fiduciary Net Position			
Contributions - employer	\$ 2,868,403	\$ 3,098,708	\$ 3,230,243
Contributions - employee	21,800	64,305	55,959
Net investment income	15,179,084	3,248,066	2,834,483
Benefit Payments, including refunds of employee contributions	<u>(4,427,527)</u>	<u>(4,577,856)</u>	<u>(5,498,724)</u>
Administrative expenses	(19,856)	(20,940)	(31,075)
Other	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Plan Fiduciary Net Position	13,621,904	1,812,283	590,886
Plan Fiduciary Net Position - beginning	<u>92,555,874</u>	<u>106,177,777</u>	<u>107,990,060</u>
Plan Fiduciary Net Position - ending (b)	<u><u>\$ 106,177,778</u></u>	<u><u>\$ 107,990,060</u></u>	<u><u>\$ 108,580,946</u></u>
 Net Pension Liability (Asset) - ending (a) - (b)	<u><u>\$ 9,127,894</u></u>	<u><u>\$ 12,316,930</u></u>	<u><u>\$ 20,613,754</u></u>
 Plan Fiduciary Net Position as a % of the Total Pension Liability	92.08%	89.76%	84.04%
 Covered-employee payroll	\$ 17,871,672	\$ 19,317,797	\$ 18,760,682
 Net Pension Liability (Asset) as a % of covered-employee payroll	51.07%	63.76%	109.88%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years of information is available.

CITY OF COOKEVILLE, TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Contributions

Based on Participation in the Public Employee Pension Plan of the TCRS

Last Fiscal Year ending June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Actuarially determined contribution	\$ 2,868,403	\$ 3,098,708	\$ 3,230,243	\$ 3,463,073
Contributions in relation to the actuarially determined contribution	<u>2,868,403</u>	<u>3,098,708</u>	<u>3,230,243</u>	<u>3,463,073</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 17,871,672	\$ 19,317,787	\$ 18,760,682	\$ 20,371,015
Contributions as a percentage covered-employee payroll	16.05%	16.04%	17.22%	17.00%

This is a 10-year schedule; however, the information in this schedule is not required to be presented retroactively. Years will added to this schedule in future fiscal years until 10 years of information is available.

CITY OF COOKEVILLE, TENNESSEE

REQUIRED SUPPLEMENTARY INFORMATION

Tennessee Consolidated Retirement System

Valuation date: Actuarially determined contribution rates for fiscal year 2017 were calculated based on the July 1, 2015 actuarial valuation.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Frozen initial liability
Amortization method	Level dollar, closed (not to exceed 20 years)
Remaining amortization period	Varies by year
Asset valuation	10-year smoothed within a 20 percent corridor to market value
Inflation	3.0 percent
Salary increases	Graded salary ranges from 8.97 to 3.71 percent based on age, including inflation
Investment Rate of Return	7.5 percent, net of investment expense, including inflation
Retirement age	Pattern of retirement determined by experience study
Mortality	Customized table based on actual experience including an adjustment for some anticipated improvement
Cost of Living Adjustments	2.5 percent

Other information: In 2015, benefit terms were modified to authorize establishment of a mandatory retirement age and a supplemental bridge benefit for public safety officers.

Other Post-Employment Benefits

Funded Status and Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL(UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
7/1/2016	-	\$39,365,405	\$39,365,405	0.00%	\$18,082,772	217.7%
7/1/2015	-	\$34,077,025	\$34,077,025	0.00%	\$16,221,373	210.1%
7/1/2014	-	\$32,183,786	\$32,183,786	0.00%	\$15,522,845	207.3%

**COMBINING & INDIVIDUAL FUND INFORMATION
AND OTHER SUPPLEMENTARY INFORMATION**

CITY OF COOKEVILLE, TENNESSEE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2017

	<u>Special Revenue Funds</u>						
	<u>Drug Fund</u>	<u>State Street Aid Fund</u>	<u>Sanitation Fund</u>	<u>Animal Control Board Fund</u>	<u>Economic Development Fund</u>	<u>Quality of Life Fund</u>	<u>Total Other Governmental Funds</u>
<u>Assets</u>							
Cash	\$ 298,631	\$ 779,928	\$ 695,719	\$ 159,728	\$ 890,149	\$ 311,192	\$ 3,135,347
Temporary cash investments	-	493,676	-	28,468	-	-	522,144
Accounts receivable	-	-	165,641	-	-	-	165,641
Taxes receivable	-	-	350,347	-	350,347	87,587	788,281
Less allowance for bad debts	-	-	(6,174)	-	(5,640)	(1,410)	(13,224)
Other receivables	2,554	105,745	622	710	837	510	110,978
Due from other funds	-	73	4,597	-	6,260	2,457	13,387
Total assets	<u>\$ 301,185</u>	<u>\$ 1,379,422</u>	<u>\$ 1,210,752</u>	<u>\$ 188,906</u>	<u>\$ 1,241,953</u>	<u>\$ 400,336</u>	<u>\$ 4,722,554</u>
<u>Liabilities</u>							
Accounts payable	\$ 244	\$ 139,696	\$ 15,949	\$ 6,605	\$ 12	\$ 7	\$ 162,513
Due to other funds	-	731	47,238	4,223	280	-	52,472
Unearned revenue	-	4,678	-	1,056	-	36,755	42,489
Other liabilities	<u>74,454</u>	<u>181,700</u>	<u>-</u>	<u>850</u>	<u>10,000</u>	<u>-</u>	<u>267,004</u>
Total liabilities	74,698	326,805	63,187	12,734	10,292	36,762	524,478
<u>Deferred Inflows of Resources</u>							
Unavailable revenue property taxes	<u>-</u>	<u>-</u>	<u>344,706</u>	<u>-</u>	<u>344,706</u>	<u>86,177</u>	<u>775,589</u>
Total deferred inflows of resources	-	-	344,706	-	344,706	86,177	775,589
Restricted fund balances	226,487	1,052,617	802,859	-	-	-	2,081,963
Committed fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>176,172</u>	<u>886,955</u>	<u>277,397</u>	<u>1,340,524</u>
Total fund balances	<u>226,487</u>	<u>1,052,617</u>	<u>802,859</u>	<u>176,172</u>	<u>886,955</u>	<u>277,397</u>	<u>3,422,487</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 301,185</u>	<u>\$ 1,379,422</u>	<u>\$ 1,210,752</u>	<u>\$ 188,906</u>	<u>\$ 1,241,953</u>	<u>\$ 400,336</u>	<u>\$ 4,722,554</u>

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED June 30, 2017

	<u>Special Revenue Funds</u>						<u>Total Other Governmental Funds</u>
	<u>Drug Fund</u>	<u>State Street Aid Fund</u>	<u>Sanitation Fund</u>	<u>Animal Control Board Fund</u>	<u>Economic Development Fund</u>	<u>Quality of Life Fund</u>	
Revenues:							
Local taxes		\$ 837	\$ 333,611		\$ 349,607	\$ 87,402	\$ 771,457
Intergovernmental		960,801	-	\$ 100,750	-	599,587	1,661,138
Charges for services		-	1,690,975	56,277	-	-	1,747,252
Fines, forfeitures and penalties	\$ 142,332	-	-	-	-	-	142,332
Interest	1,858	6,563	3,123	1,430	5,058	1,298	19,330
Other	-	-	3,673	32,860	-	12,500	49,033
Total revenues	<u>144,190</u>	<u>968,201</u>	<u>2,031,382</u>	<u>191,317</u>	<u>354,665</u>	<u>700,787</u>	<u>4,390,542</u>
Expenditures:							
Economic development	-	-	-	-	24,156	-	24,156
Public safety	49,102	-	-	265,019	-	-	314,121
Public works	-	732,249	1,485,195	-	2,886	-	2,220,330
Culture and recreation	-	-	-	-	-	634,319	634,319
Community support	-	-	-	-	-	8,000	8,000
Capital outlay	8,875	151,997	267,484	-	266,906	-	695,262
Total expenditures	<u>57,977</u>	<u>884,246</u>	<u>1,752,679</u>	<u>265,019</u>	<u>293,948</u>	<u>642,319</u>	<u>3,896,188</u>
Excess (deficiency) of revenues over (under) expenditures	<u>86,213</u>	<u>83,955</u>	<u>278,703</u>	<u>(73,702)</u>	<u>60,717</u>	<u>58,468</u>	<u>494,354</u>
Other financing sources (uses):							
Operating transfers in	-	-	-	88,000	-	-	88,000
Operating transfers out	-	-	-	-	(75,000)	(7,424)	(82,424)
Sale of assets	6,285	1,855	-	-	-	-	8,140
Total other financing sources (uses)	<u>6,285</u>	<u>1,855</u>	<u>-</u>	<u>88,000</u>	<u>(75,000)</u>	<u>(7,424)</u>	<u>13,716</u>
Net change in fund balances	92,498	85,810	278,703	14,298	(14,283)	51,044	508,070
Fund balances, July 1, 2016	<u>133,989</u>	<u>966,807</u>	<u>524,156</u>	<u>161,874</u>	<u>901,238</u>	<u>226,353</u>	<u>2,914,417</u>
Fund balances, June 30, 2017	<u>\$ 226,487</u>	<u>\$ 1,052,617</u>	<u>\$ 802,859</u>	<u>\$ 176,172</u>	<u>\$ 886,955</u>	<u>\$ 277,397</u>	<u>\$ 3,422,487</u>

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CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED June 30, 2017

	<u>Budgeted Amounts</u>		<u>Total</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues:				
Taxes:				
Current property taxes	\$ 295,059	\$ 295,059	\$ 333,267	\$ 38,208
Delinquent property taxes	17,000	17,000	18,727	1,727
Penalty & Interest	5,000	5,000	5,724	724
In-lieu of taxes	700,000	700,000	700,000	-
Total taxes	<u>1,017,059</u>	<u>1,017,059</u>	<u>1,057,718</u>	<u>40,659</u>
Intergovernmental:				
State shared sales tax	2,398,900	2,398,900	2,582,904	184,004
Other intergovernmental	67,306	67,306	68,536	1,230
	<u>2,466,206</u>	<u>2,466,206</u>	<u>2,651,440</u>	<u>185,234</u>
Rent	26,172	26,172	26,172	-
Interest	12,500	12,500	69,724	57,224
Total revenues	<u>3,521,937</u>	<u>3,521,937</u>	<u>3,805,054</u>	<u>283,117</u>
Expenditures:				
Debt service - principal	2,664,667	2,664,667	2,414,667	250,000
Debt service - interest	1,157,032	1,157,032	597,915	559,117
Administrative expenditures	20,800	20,800	8,678	12,122
Total expenditures	<u>3,842,499</u>	<u>3,842,499</u>	<u>3,021,260</u>	<u>821,239</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(320,562)</u>	<u>(320,562)</u>	<u>783,794</u>	<u>1,104,356</u>
Net change in fund balance	<u>\$ (320,562)</u>	<u>\$ (320,562)</u>	783,794	<u>\$ 1,104,356</u>
Fund balance, July 1, 2016			<u>10,255,731</u>	
Fund balance, June 30, 2017			<u>\$ 11,039,525</u>	

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CITY OF COOKEVILLE, TENNESSEE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL IMPROVEMENT BOND FUND
FOR THE YEAR ENDED June 30, 2017

	<u>Budgeted Amounts</u>		<u>Total</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues:				
Intergovernmental:				
TDOT Grant	\$ 3,504,330	\$ 3,504,330	\$ 1,871,626	\$ (1,632,704)
Total Intergovernmental	3,504,330	3,504,330	1,871,626	(1,632,704)
Other revenue	10,000	10,000	-	(10,000)
Interest	500	500	8,057	7,557
Total revenues	<u>3,514,830</u>	<u>3,514,830</u>	<u>1,879,683</u>	<u>(1,635,147)</u>
Expenditures:				
Parks & Recreation - Capital Outlay	150,000	150,000	-	150,000
Public Safety - Capital Outlay	9,800,000	9,800,000	-	9,800,000
Public Works - Capital Outlay	9,083,467	9,083,467	6,390,823	2,692,644
Administrative expenditures	25,500	25,500	14,931	10,569
Bond issue costs	130,000	130,000	-	130,000
Total expenditures	<u>19,188,967</u>	<u>19,188,967</u>	<u>6,405,754</u>	<u>12,783,213</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(15,674,137)</u>	<u>(15,674,137)</u>	<u>(4,526,071)</u>	<u>11,148,066</u>
Other financing sources:				
Proceeds of Bond issue	<u>10,000,000</u>	<u>10,000,000</u>	<u>-</u>	<u>10,000,000</u>
Net other financing sources:	<u>10,000,000</u>	<u>10,000,000</u>	<u>-</u>	<u>10,000,000</u>
Net change in fund balance	<u>\$ (5,674,137)</u>	<u>\$ (5,674,137)</u>	<u>(4,526,071)</u>	<u>\$ 1,148,066</u>
Fund balance, July 1, 2016			<u>7,653,816</u>	
Fund balance, June 30, 2017			<u>\$ 3,127,745</u>	

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
STATE STREET AID
FOR THE YEAR ENDED June 30, 2017

	<u>Budgeted Amounts</u>		<u>Total</u>	Variance- Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Taxes				
Property taxes delinquent	\$ 100	\$ 100	\$ 444	\$ 344
Property taxes penalty & interest	50	50	393	343
Total taxes	<u>150</u>	<u>150</u>	<u>837</u>	<u>687</u>
Intergovernmental				
State gasoline & motor fuel	872,312	872,312	593,352	(278,960)
State - 3 cent tax	-	-	176,573	176,573
State - Gas 1989	-	-	95,136	95,136
Surface Transportation	760,000	760,000	14,710	(745,290)
TDOT Grants	<u>1,175,000</u>	<u>1,175,000</u>	<u>81,030</u>	<u>(1,093,970)</u>
Total Intergovernmental	<u>2,807,312</u>	<u>2,807,312</u>	<u>960,801</u>	<u>(1,846,511)</u>
Interest	<u>2,000</u>	<u>2,000</u>	<u>6,563</u>	<u>4,563</u>
Total revenues	<u>2,809,462</u>	<u>2,809,462</u>	<u>968,201</u>	<u>(1,841,261)</u>
Expenditures:				
Paving	600,000	600,000	576,358	23,642
Sidewalk improvements	2,131,800	2,131,800	137,808	1,993,992
Intersection improvements	235,000	235,000	70,996	164,004
Street maintenance supplies	50,000	50,000	27,918	22,082
Vehicles & equipment	40,000	40,000	45,500	(5,500)
Traffic Study	250,000	250,000	19,863	230,137
Other	<u>6,200</u>	<u>6,200</u>	<u>5,803</u>	<u>397</u>
Total expenditures	<u>3,313,000</u>	<u>3,313,000</u>	<u>884,246</u>	<u>2,428,754</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(503,538)</u>	<u>(503,538)</u>	<u>83,955</u>	<u>587,493</u>
Other financing sources:				
Sale of assets	<u>-</u>	<u>-</u>	<u>1,855</u>	<u>1,855</u>
Net other financing sources:	<u>-</u>	<u>-</u>	<u>1,855</u>	<u>1,855</u>
Net change in fund balance	<u>\$ (503,538)</u>	<u>\$ (503,538)</u>	<u>85,810</u>	<u>\$ 589,348</u>
Fund balance, July 1, 2016			<u>966,807</u>	
Fund balance, June 30, 2017			<u>\$ 1,052,617</u>	

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CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DRUG FUND
FOR THE YEAR ENDED June 30, 2017

	<u>Budgeted Amounts</u>		<u>Total</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues:				
Fines, forfeitures & penalties	\$ 55,000	\$ 110,000	\$ 142,332	\$ 32,332
Interest	500	500	1,858	1,358
Total revenues	<u>55,500</u>	<u>110,500</u>	<u>144,190</u>	<u>33,690</u>
Expenditures:				
Investigative	8,000	28,000	28,000	-
Seized property expense	-	-	1,668	(1,668)
Equipment & materials	13,500	13,500	19,141	(5,641)
Travel Training	4,000	4,000	-	4,000
Other expenses	250	250	293	(43)
Capital outlay	<u>36,000</u>	<u>36,000</u>	<u>8,875</u>	<u>27,125</u>
Total expenditures	<u>61,750</u>	<u>81,750</u>	<u>57,977</u>	<u>23,773</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,250)</u>	<u>28,750</u>	<u>86,213</u>	<u>57,463</u>
Other financing sources:				
Sale of assets	<u>-</u>	<u>-</u>	<u>6,285</u>	<u>6,285</u>
Net other financing sources:	<u>-</u>	<u>-</u>	<u>6,285</u>	<u>6,285</u>
Net change in fund balance	<u>\$ (6,250)</u>	<u>\$ 28,750</u>	92,498	<u>\$ 63,748</u>
Fund balance, July 1, 2016			<u>133,989</u>	
Fund balance, June 30, 2017			<u>\$ 226,487</u>	

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CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SANITATION FUND
FOR THE YEAR ENDED June 30, 2017

	<u>Budgeted Amounts</u>		<u>Total</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues:				
Property taxes	\$ 295,059	\$ 325,059	\$ 333,611	\$ 8,552
Charges for services	1,617,904	1,617,904	1,690,975	73,071
Interest	750	750	3,123	2,373
Other revenue	500	500	3,673	3,173
Total revenues	<u>1,914,213</u>	<u>1,944,213</u>	<u>2,031,382</u>	<u>87,169</u>
Expenditures:				
Personnel	583,750	583,750	573,203	10,547
Taxes & fringes	277,150	277,150	244,552	32,598
Materials & supplies	17,500	17,500	7,235	10,265
Vehicle expense	409,000	439,000	419,012	19,988
Fixed charges	22,900	22,900	11,410	11,490
Other operating expense	116,480	116,480	105,763	10,717
Landfill services	35,000	35,000	41,499	(6,499)
Other equipment	111,000	111,000	117,005	(6,005)
Capital outlay-vehicles	260,000	260,000	233,000	27,000
Total expenditures	<u>1,832,780</u>	<u>1,862,780</u>	<u>1,752,679</u>	<u>110,101</u>
Excess (deficiency) of revenues over (under) expenditures	<u>81,433</u>	<u>81,433</u>	<u>278,703</u>	<u>197,270</u>
Net change in fund balance	<u>\$ 81,433</u>	<u>\$ 81,433</u>	<u>278,703</u>	<u>\$ 197,270</u>
Fund balance, July 1, 2016			<u>524,156</u>	
Fund balance, June 30, 2017			<u>\$ 802,859</u>	

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CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ANIMAL CONTROL FUND
FOR THE YEAR ENDED June 30, 2017

	<u>Budgeted Amounts</u>		<u>Total</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues:				
Intergovernmental:				
Putnam County Allocation	\$ 88,000	\$ 88,000	\$ 88,000	\$ -
City of Algood Allocation	8,100	8,100	5,000	(3,100)
Town of Baxter Allocation	3,150	3,150	1,150	(2,000)
Town of Monterey Allocation	6,600	6,600	6,600	-
Total intergovernmental	105,850	105,850	100,750	(5,100)
Charges for services	47,000	47,000	56,277	9,277
Interest	550	550	1,430	880
Other revenue	20,000	27,000	32,860	5,860
Total revenues	173,400	180,400	191,317	10,917
Expenditures:				
Personnel	139,550	147,050	143,445	3,605
Taxes & fringes	47,626	47,626	36,250	11,376
Utility expense	32,500	32,500	27,935	4,565
Supplies & maintenance	46,700	49,900	50,001	(101)
Other expense	10,050	10,050	7,388	2,662
Total expenditures	276,426	287,126	265,019	22,107
Excess (deficiency) of revenues over (under) expenditures	(103,026)	(106,726)	(73,702)	33,024
Other financing sources:				
Operating transfers in	88,000	88,000	88,000	-
Net other financing sources:	88,000	88,000	88,000	-
Net change in fund balance	\$ (15,026)	\$ (18,726)	14,298	\$ 33,024
Fund balance, July 1, 2016			161,874	
Fund balance, June 30, 2017			\$ 176,172	

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CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ECONOMIC DEVELOPMENT FUND
FOR THE YEAR ENDED June 30, 2017

	<u>Budgeted Amounts</u>		<u>Total</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues:				
Taxes				
Property taxes current	\$ 295,059	\$ 330,059	\$ 333,267	\$ 3,208
Property taxes delinquent	10,000	10,000	12,391	2,391
Property taxes penalty & interest	2,000	2,000	3,949	1,949
Total property taxes	307,059	342,059	349,607	7,548
Interest	1,000	1,000	5,058	4,058
Total revenues	308,059	343,059	354,665	11,606
Expenditures:				
Industrial/Business park development:				
Construction	20,000	91,000	90,813	187
Other development expense	1,500	1,500	2,386	(886)
Land, ROW & Easements	176,593	176,593	176,593	-
Economic development	30,500	30,500	24,071	6,429
Miscellaneous	150	150	85	65
Total expenditures	228,743	299,743	293,948	5,795
Excess (deficiency) of revenues over (under) expenditures	79,316	43,316	60,717	17,401
Other financing sources (uses):				
Operating transfers out	(75,000)	(75,000)	(75,000)	-
Net other financing sources:	(75,000)	(75,000)	(75,000)	-
Net change in fund balance	\$ 4,316	\$ (31,684)	(14,283)	\$ 17,401
Fund balance, July 1, 2016			901,238	
Fund balance, June 30, 2017			\$ 886,955	

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CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
QUALITY OF LIFE FUND
FOR THE YEAR ENDED June 30, 2017

	<u>Budgeted Amounts</u>		<u>Total</u>	<u>Variance-</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues:				
Taxes				
Property taxes current	\$ 73,765	\$ 83,765	\$ 83,317	\$ (448)
Property taxes delinquent	2,000	2,000	3,098	1,098
Property taxes penalty & interest	500	500	987	487
Total property taxes	76,265	86,265	87,402	1,137
Intergovernmental:				
TDOT Grant	321,342	521,342	489,650	(31,692)
Putnam County Allocation	26,790	26,790	55,960	29,170
City of Algood Allocation	26,790	26,790	53,977	27,187
Total Intergovernmental	374,922	574,922	599,587	24,665
Interest	500	500	1,298	798
Other revenues	12,000	12,000	12,500	500
Total revenues	463,687	673,687	700,787	27,100
Expenditures:				
Tennessee Central Heritage				
Rails with Trails project	402,178	612,178	612,721	(543)
Non-Profit contribution	8,000	8,000	8,000	-
Parks & recreation capital outlay	20,000	22,000	21,339	661
Other expense	100	100	259	(159)
Total expenditures	430,278	642,278	642,319	(41)
Excess (deficiency) of revenues over (under) expenditures	33,409	31,409	58,468	27,059
Other financing sources:				
Operating transfers(out)	(7,424)	(7,424)	(7,424)	-
Net other financing sources:	(7,424)	(7,424)	(7,424)	-
Net change in fund balance	\$ 25,985	\$ 23,985	51,044	\$ 27,059
Fund balance, July 1, 2016			226,353	
Fund balance, June 30, 2017			\$ 277,397	

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CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF CHANGES IN PROPERTY TAXES RECEIVABLE

June 30, 2017

<u>Tax Year</u>	<u>Balance July 1,</u>	<u>Property Tax Levied</u>	<u>Anticipated Levy</u>	<u>Abatements & Adjustments</u>	<u>Collections</u>	<u>Balance June 30,</u>	<u>Delinquent Taxes Filed*</u>
2017			\$ 7,357,287			\$ 7,357,287	
2016		\$ 7,163,938	-	\$ (6,893)	\$ (6,998,579)	158,466	
2015	\$ 194,428	-	-	4,674	(160,819)	38,283	\$ 38,283
2014	67,596	-	-	(11)	(33,113)	34,472	34,472
2013	47,036	-	-	(3,280)	(16,592)	27,164	27,164
2012	56,348	-	-	(71)	(31,614)	24,663	24,663
2011	39,106	-	-	(293)	(23,599)	15,214	15,214
2010	21,856	-	-	(139)	(9,667)	12,050	12,050
2009	8,916	-	-	(128)	(2,060)	6,728	6,728
2008	9,240	-	-	(148)	(368)	8,724	8,724
2007	8,037	-	-	(143)	-	7,894	7,894
	<u>\$ 452,563</u>	<u>\$ 7,163,938</u>	<u>\$ 7,357,287</u>	<u>\$ (6,432)</u>	<u>\$ (7,276,411)</u>	<u>\$ 7,690,945</u>	<u>\$ 175,192</u>

* Outstanding Delinquent Taxes filed with clerk and master.

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CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF TAX RATES AND ASSESSMENTS

JUNE 30, 2017

<u>Tax Year</u>	<u>Tax rate</u>	<u>Assessed Value</u>
2017	.84 per 100	\$ 845,819,639
2016	.84 per 100	822,493,881
2015	.90 per 100	745,993,796
2014	.90 per 100	738,211,161
2013	.90 per 100	718,327,143
2012	.90 per 100	699,534,122
2011	.85 per 100	691,237,550
2010	.87 per 100	659,223,510
2009	.87 per 100	656,978,714
2008	.87 per 100	640,260,446
2007	.79 per 100	619,049,296
2006	.79 per 100	605,586,006
2005	.88 per 100	520,822,737

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CITY OF COOKEVILLE, TENNESSEE
GENERAL LONG-TERM DEBT
SUMMARY OF BOND DEBT SERVICE REQUIREMENTS
CLASSIFIED BY MATURITY DATE
JUNE 30, 2017

<u>Fiscal Year Maturity</u>	<u>2010 General Obligation Bonds</u>	<u>2013 General Obligation Bonds</u>	<u>2015 General Obligation Bonds</u>	<u>Total Bonds</u>	<u>Future Interest Requirements</u>
2018	\$ 455,000	\$ 240,000	\$ 565,000	\$ 1,260,000	\$ 499,209
2019	470,000	245,000	575,000	1,290,000	468,321
2020	480,000	250,000	585,000	1,315,000	435,236
2021	495,000	255,000	600,000	1,350,000	397,556
2022	510,000	260,000	610,000	1,380,000	357,859
2023	525,000	270,000	625,000	1,420,000	316,184
2024	545,000	275,000	635,000	1,455,000	272,221
2025	560,000	285,000	650,000	1,495,000	225,929
2026	580,000	295,000	660,000	1,535,000	175,836
2027	-	305,000	675,000	980,000	122,256
2028	-	315,000	695,000	1,010,000	96,465
2029	-	330,000	710,000	1,040,000	69,010
2030	-	-	730,000	730,000	40,700
2031	-	-	750,000	750,000	20,625
	<u>\$ 4,620,000</u>	<u>\$ 3,325,000</u>	<u>\$ 9,065,000</u>	<u>\$ 17,010,000</u>	<u>\$ 3,497,407</u>

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE
GENERAL LONG-TERM DEBT
SUMMARY OF NOTES PAYABLE DEBT SERVICE REQUIREMENTS
CLASSIFIED BY MATURITY DATE
JUNE 30, 2017

<u>Fiscal Year Maturity</u>	<u>2005 Tennessee Municipal Bond Fund Variable Interest*</u>	<u>2007 Tennessee Municipal Bond Fund Variable Interest*</u>	<u>2008 Tennessee Municipal Bond Fund Variable Interest*</u>	<u>2014 Capital Outlay Note</u>	<u>Total Notes Payable</u>	<u>Future Interest Requirements</u>
2018	\$ 367,000	\$ 227,000	\$ 161,000	\$ 166,666	\$ 921,666	\$ 39,460
2019	381,000	236,000	169,000	-	786,000	30,146
2020	397,000	246,000	177,000	-	820,000	22,758
2021	-	256,000	186,000	-	442,000	15,049
2022	-	266,000	196,000	-	462,000	10,895
2023	-	276,000	205,000	-	481,000	6,551
2024	-	-	216,000	-	216,000	2,030
	<u>\$ 1,145,000</u>	<u>\$ 1,507,000</u>	<u>\$ 1,310,000</u>	<u>\$ 166,666</u>	<u>\$ 4,128,666</u>	<u>\$ 126,889</u>

*Principal and interest requirements based on current debt and interest rate. The current interest rate at June 30, 2017 is .94% on the variable rate Tennessee Municipal Bond Fund debt.

CITY OF COOKEVILLE, TENNESSEE
WATER QUALITY CONTROL DEPARTMENT - PROPRIETARY FUND
BONDS AND NOTES PAYABLE DEBT SERVICE REQUIREMENTS
CLASSIFIED BY MATURITY DATE
JUNE 30, 2017

<u>Fiscal Year Maturity</u>	<u>State of Tennessee 3.14% Revolving</u>	<u>Tennessee Municipal Bond Fund*</u>	<u>State of Tennessee 2.50% Revolving</u>	<u>Total Bonds and Notes Payable</u>	<u>Future Interest Requirements</u>
2018	\$ 105,883	\$ 728,000	\$ 95,028	\$ 928,911	\$ 59,582
2019	-	764,000	97,440	861,440	49,762
2020	-	802,000	99,900	901,900	39,967
2021	-	-	102,432	102,432	29,736
2022	-	-	105,024	105,024	27,144
2023	-	-	107,676	107,676	24,492
2024	-	-	110,400	110,400	21,768
2025	-	-	113,184	113,184	18,984
2026	-	-	116,052	116,052	16,116
2027	-	-	118,980	118,980	13,188
2028	-	-	121,992	121,992	10,176
2029	-	-	125,076	125,076	7,092
2030	-	-	128,244	128,244	3,924
2031	-	-	87,308	87,308	721
	<u>\$ 105,883</u>	<u>\$ 2,294,000</u>	<u>\$ 1,528,736</u>	<u>\$ 3,928,619</u>	<u>\$ 322,652</u>

*The note has a variable rate of interest, so the interest paid will differ from the projected amount. The current interest rate at June 30, 2017 is .96%.

CITY OF COOKEVILLE, TENNESSEE
DEBT SERVICE REQUIREMENTS - PROPRIETARY FUND
ELECTRIC DEPARTMENT
JUNE 30, 2017

Various Annexations - Non Interest Bearing

Year Ending June 30,	Principal Requirements
2018	\$ 1,000,000
	<u>\$ 1,000,000</u>

Tennessee Municipal Bond Fund - Notes and Bonds Payable

Fiscal Year Maturity	2008 Principal Requirements*	Revenue and Tax Bonds Series 2012 Principal	Total Notes and Bonds Payable	Interest Requirements*
2018	\$ 411,000	\$ 250,000	\$ 661,000	\$ 94,481
2019	431,000	255,000	686,000	85,567
2020	453,000	260,000	713,000	75,066
2021	476,000	270,000	746,000	62,857
2022	499,000	275,000	774,000	50,208
2023	524,000	285,000	809,000	38,543
2024	551,000	290,000	841,000	27,867
2025	-	300,000	300,000	16,787
2026	-	310,000	310,000	10,494
2027	-	320,000	320,000	3,600
	<u>\$ 3,345,000</u>	<u>\$ 2,815,000</u>	<u>\$ 6,160,000</u>	<u>\$ 465,470</u>

*The note has a variable rate of interest, so the interest paid will differ from the projected amount. The current interest rate at June 30, 2017 is .94%.

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF INVESTMENTS

JUNE 30, 2017

	State of Tennessee Local Government Investment Pool
Governmental Activities:	
Major Funds	
General	\$ 2,396,450
Debt Service	3,105,769
Capital Projects	4
Non-major funds	<u>522,144</u>
Total Governmental Activities	<u>6,024,367</u>
Business-type Activities:	
Major Funds	
Cookeville Electric Department	2,811,365
Cookeville Gas Department	4,360,979
Cookeville Water Quality Control Department	<u>3,017,681</u>
Total Business-type Activities	<u>10,190,025</u>
Internal Service Fund:	
Employee Health Insurance Fund	<u>1,861,635</u>
Total Internal Service Fund	<u>1,861,635</u>
 Total Temporary Cash Investments	 <u>\$ 18,076,027</u>

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS & STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2017

Grant/Contract Number	CFDA Number	Program	Grantor Agency	(Receivable) Deferred at 07/01/16	Receipts	Expenditures	(Receivable) Deferred at 06/30/17
Z16GHSO81	20.600	Governor's Highway Safety Grant	State of Tennessee, Department of Transportation Pass-through from National Highway Traffic Safety Administration	\$ (17,285)	\$ 18,429	\$ 1,144	\$ -
Z16GHSO80	20.600	Governor's Highway Safety Grant	State of Tennessee, Department of Transportation Pass-through from National Highway Traffic Safety Administration	(1,033)	3,540	2,507	-
Z17THSO20	20.600	Governor's Highway Safety Grant	State of Tennessee, Department of Transportation Pass-through from National Highway Traffic Safety Administration	-	6,071	17,916	(11,845)
Z17THSO21	20.600	Governor's Highway Safety Grant	State of Tennessee, Department of Transportation Pass-through from National Highway Traffic Safety Administration	-	-	4,856	(4,856)
<i>Total CFDA # 20.600</i>				\$ (18,318)	\$ 28,040	\$ 26,423	\$ (16,701)
Z16GHSO79	20.607	Governor's Highway Safety Grant	State of Tennessee, Department of Transportation Pass-through from National Highway Traffic Safety Administration	\$ (1,439)	\$ 3,148	\$ 1,709	\$ -
<i>Total CFDA # 20.607</i>				\$ (1,439)	\$ 3,148	\$ 1,709	\$ -
Z17THS405	20.616	Governor's Highway Safety Grant	State of Tennessee, Department of Transportation Pass-through from National Highway Traffic Safety Administration	\$ -	\$ 3,500	\$ 24,369	\$ (20,869)
<i>Total CFDA # 20.616</i>				\$ -	\$ 3,500	\$ 24,369	\$ (20,869)
10052537	16.607	Bulletproof Vest Partnership	U.S. Department of Justice	\$ -	\$ 3,925	\$ 3,925	\$ -
<i>Total CFDA # 16.607</i>				\$ -	\$ 3,925	\$ 3,925	\$ -
2015-DJ-BX-0709	16.738	Edward Byrne Memorial Justice Assistance Grant	U.S. Department of Justice/Bureau of Justice Assistance	\$ (2,231)	\$ 2,231	\$ -	\$ -
2015-MU-BX-0442	16.738	Edward Byrne Memorial Justice Assistance Grant	U.S. Department of Justice/Bureau of Justice Assistance	-	-	15,000	(15,000)
<i>Total CFDA # 16.738</i>				\$ (2,231)	\$ 2,231	\$ 15,000	\$ (15,000)
HPP-7100(49)	20.205	Rails to Trails Project	State of Tennessee, Department of Transportation Pass-through from U.S. Department of Transportation	\$ (721,333)	\$ 1,210,765	\$ 489,650	\$ (218)
STP-M-9204(10) STP-M-9204(11)	20.205	Surface Transportation Grant	State of Tennessee, Department of Transportation Pass-through from U.S. Department of Transportation	(1,699,337)	3,383,714	1,871,625	(187,248)
STP-M-9204(12)	20.205	Surface Transportation Grant	State of Tennessee, Department of Transportation Pass-through from U.S. Department of Transportation	-	729	14,710	(13,981)
060010	20.205	Rails to Trails Project	Rails to Trails Conservancy, Washington D.C.	606	-	-	606
<i>Total CFDA # 20.205</i>				\$ (2,420,064)	\$ 4,595,208	\$ 2,375,985	\$ (200,841)

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS & STATE FINANCIAL ASSISTANCE

FOR THE YEAR ENDED JUNE 30, 2017

Grant/Contract Number	CFDA Number	Program	Grantor Agency	(Receivable) Deferred at 07/01/16	Receipts	Expenditures	(Receivable) Deferred at 06/30/17
WX01287N2017T	97.044	SCBA Grant	State of Tennessee, Emergency Management Agency Pass-through from Federal Emergency Management Agency	\$ -	\$ 225,455	\$ 225,455	\$ -
<i>Total CFDA # 97.044</i>				<u>\$ -</u>	<u>\$ 225,455</u>	<u>\$ 225,455</u>	<u>\$ -</u>
HM-12-09	14.239	HOME Program	State of Tennessee, Department of Housing & Urban Development Pass-through from U.S. Department of Housing & Urban Development	\$ -	\$ 20,997	\$ 41,294	\$ (20,297)
<i>Total CFDA # 14.239</i>				<u>\$ -</u>	<u>\$ 20,997</u>	<u>\$ 41,294</u>	<u>\$ (20,297)</u>
16-DG-11083147-001	10.664	Urban and Community Forestry Program	State of Tennessee, Department of Agriculture Pass-through from USDA Forest Service	\$ -	\$ 2,307	\$ 10,082	\$ (7,775)
<i>Total CFDA # 10.664</i>				<u>\$ -</u>	<u>\$ 2,307</u>	<u>\$ 10,082</u>	<u>\$ (7,775)</u>
TOTAL FEDERAL AWARDS				<u>\$ (2,442,052)</u>	<u>\$ 4,884,811</u>	<u>\$ 2,724,242</u>	<u>\$ (281,483)</u>
71LPLM-S3-025	N/A	Surface Transportation Grant	State of Tennessee, Department of Transportation	\$ -	\$ 62,267	\$ 81,030	\$ (18,763)
GG-08-23787-00	N/A	Internet Crimes Against Children	Nashville Police Department	-	20,000	20,000	-
N/A	N/A	Governor's Healthier Tennessee	The Governor's Foundation for Health and Wellness	<u>3,000</u>	<u>-</u>	<u>3,000</u>	<u>-</u>
TOTAL STATE FINANCIAL ASSISTANCE				<u>\$ 3,000</u>	<u>\$ 82,267</u>	<u>\$ 104,030</u>	<u>\$ (18,763)</u>
TOTAL FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE				<u>\$ (2,439,052)</u>	<u>\$ 4,967,078</u>	<u>\$ 2,828,272</u>	<u>\$ (300,246)</u>

NOTE 1 - BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal and state award activity of the City of Cookeville under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City of Cookeville, it is not intended to and does not present the financial position, change in net position, or cash flows of the City of Cookeville.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

See Independent Auditor's Report.

MISCELLANEOUS INFORMATION - UNAUDITED

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF UTILITY RATES - UNAUDITED
JUNE 30, 2017

Electric Department

Retail Rate
1-Jun-17
w/wholesale FCA
.02022 (standard)
.01865 (large)

Residential	Customer Charge	\$10.00
Alternate Usage Blocks	Block1 kWh (1st 800 kwh)	\$0.09508
	Block2 kWh (additional kwh)	\$0.09022
GSA1	Customer Charge	\$20.00
	All kWh	\$0.10408
GSA2	Customer Charge	\$50.00
	1st 15,000 kWh	\$0.10470
	Additional kWh	\$0.05982
	kW, 0-50	\$0.00
	kW, 51-1,000	\$13.25
GSA3	Customer Charge	\$100.00
	All kWh	\$0.06375
	kW, 0-1,000	\$12.13
	kW, 1,001 - 5,000	\$12.11
SDE-General Power	Customer Charge	\$1,500.00
SGSB	Demand Charge	
	Onpeak	\$10.36
	Maximum	\$5.00
	Excess Over Contract	\$10.36
	Energy Charge	
	Onpeak	\$0.09252
	Offpeak First 200 hours	\$0.06873
	Offpeak Next 200 hours	\$0.02453
	Offpeak Additional kWh	\$0.02127
SDE-Manufacturing	Customer Charge	\$1,500.00
SMSB	Demand Charge	
	Onpeak	\$9.74
	Maximum	\$2.16
	Excess Over Contract	\$9.74
	Energy Charge	
	Onpeak	\$0.07412
	Offpeak First 200 hours	\$0.05034
	Offpeak Next 200 hours	\$0.02209
	Offpeak Additional kWh	\$0.01966
Outdoor Lighting	Customer Charge	\$2.50
	All kWh	\$0.06431

Charges for Outdoor Lighting for Individual Customers

			1-Jun-17	
	KWH	FAC Rental	Energy	Total
			\$0.06431	
100 WHPS	42	5.13	2.70	7.83
250 LED	20	12.03	1.29	13.32
250 WHPS	105	7.10	6.75	13.85
250 WHPS-FLOOD	105	11.09	6.75	17.84
400 WHPS	165	7.10	10.61	17.71
400 WHPS-FLOOD	165	11.09	10.61	21.70
175 WMV	70	4.21	4.50	8.71
400 WMV	155	5.49	9.97	15.46
250 WMHD	105	7.74	6.75	14.49
350 WMHD-FLOOD	140	8.14	9.00	17.14
350 WMHD-SHOE	140	9.84	9.00	18.84
400 WMHD	165	7.78	10.61	18.39
1000 WMHD	398	9.42	25.60	35.02
LED 50 CARETAKER	17	6.73	1.09	7.82
LED TYPE 3 REGULAR	130	18.99	8.36	27.35
LED TYPE 5 REGULAR	130	18.72	8.36	27.08
LED TYPE 5 SHOE	130	23.74	8.36	32.10

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF UTILITY RATES - UNAUDITED (CONTINUED)
JUNE 30, 2017

Gas Department

Residential Rate - Classes 22,60,13,and 61 at July 1, 2017

Monthly rate (inside): First 5,000 cu. ft. for \$.800 per 100 cu. ft.
Next 5,000 cu. ft. for \$.790 per 100 cu. ft.
All additional for \$.780 per 100 cu. ft.

Minimum bill for residential consumers - \$5.00 per month.

Monthly rate (outside): First 5,000 cu. ft. for \$.979 per 100 cu. ft.
Next 5,000 cu. ft. for \$.967 per 100 cu. ft.
All additional for \$.954 per 100 cu. ft.

Minimum bill for residential consumers - \$5.00 per month.

Commercial Rate - Classes 30,35,14,16,15,17,36,62,and 63 at July 1, 2017

Monthly rate (inside): First 5,000 cu. ft. for \$.850 per 100 cu. ft.
Next 10,000 cu. ft. for \$.820 per 100 cu. ft.
All additional for \$.790 per 100 cu. ft.

Minimum bill for commercial consumers - \$6.00 per month.

Monthly rate (outside): First 5,000 cu. ft. for \$1.042 per 100 cu. ft.
Next 10,000 cu. ft. for \$1.004 per 100 cu. ft.
All additional for \$.967 per 100 cu. ft.

Minimum bill for commercial consumers - \$6.00 per month.

Industrial Rate - Classes 40,45,50,41,46,51,64 and 65 at July 1, 2017

Monthly rate (inside): First 10,000 cu. ft. for \$.820 per 100 cu. ft.
Next 20,000 cu. ft. for \$.800 per 100 cu. ft.
All additional for \$.780 per 100 cu. ft.

Minimum bill for industrial consumers - \$20.00 per month.

Monthly rate (outside): First 10,000 cu. ft. for \$1.004 per 100 cu. ft.
Next 20,000 cu. ft. for \$.979 per 100 cu. ft.
All additional for \$.954 per 100 cu. ft.

Minimum bill for industrial consumers - \$20.00 per month.

Interruptible Rate - Class 55

\$.4283 per 100 cu. ft. (inside)

CITY OF COOKEVILLE, TENNESSEE
SCHEDULE OF UTILITY RATES - UNAUDITED (CONTINUED)
JUNE 30, 2017

Water Quality Control Department

Inside Water Rates

Zero Usage (Base Charge)	\$4.10 (minimum bill)
All gallons over zero usage	\$3.07 per 1,000 gallons

Outside Water Rates

Zero Usage (Base Charge)	\$6.15 (minimum bill)
All gallons over zero usage	\$4.57 per 1,000 gallons

Water Storage Rate

Each 1,000 gallons per month	\$0.19 per 1,000 gallons
------------------------------	--------------------------

Sewer Rates

Inside - Residential/Commercial/Industrial	\$4.51 per 1,000 gallons
	\$5.50 (minimum bill)

CITY OF COOKEVILLE, TENNESSEE

WATER LOSS SCHEDULE - UNAUDITED

For the year ended June 30, 2017



AWWA Free Water Audit Software: Reporting Worksheet

WAS v5.0

American Water Works Association
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?
Click to access definition

+
Click to add a comment

Water Audit Report for: **City of Cookeville Water Quality Control (0000133)**
Reporting Year: **2017** **7/2016 - 6/2017**

Please enter data in the white cells below. Where available, metered values should be used; if metered values are unavailable please estimate a value. Indicate your confidence in the accuracy of the input data by grading each component (n/a or 1-10) using the drop-down list to the left of the input cell. Hover the mouse over the cell to obtain a description of the grades

All volumes to be entered as: **MILLION GALLONS (US) PER YEAR**

To select the correct data grading for each input, determine the highest grade where the utility meets or exceeds all criteria for that grade and all grades below it.

WATER SUPPLIED

Volume from own sources: MG/Yr
Water imported: MG/Yr
Water exported: MG/Yr

Master Meter and Supply Error Adjustments

Pcnt: Value: MG/Yr
 MG/Yr
 MG/Yr

Enter negative % or value for under-registration
Enter positive % or value for over-registration

WATER SUPPLIED: 3,824.958 MG/Yr

AUTHORIZED CONSUMPTION

Billed metered: MG/Yr
Billed unmetered: MG/Yr
Unbilled metered: MG/Yr
Unbilled unmetered: MG/Yr

Default option selected for Unbilled unmetered - a grading of 5 is applied but not displayed

AUTHORIZED CONSUMPTION: 2,680.057 MG/Yr

Click here: for help using option buttons below

Pcnt: Value: MG/Yr

Use buttons to select percentage of water supplied OR value

Pcnt: Value: MG/Yr

MG/Yr
 MG/Yr

WATER LOSSES (Water Supplied - Authorized Consumption)

Apparent Losses

Unauthorized consumption: MG/Yr

Default option selected for unauthorized consumption - a grading of 5 is applied but not displayed

Customer metering inaccuracies: MG/Yr
Systematic data handling errors: MG/Yr

Apparent Losses: 36.401 MG/Yr

Real Losses (Current Annual Real Losses or CARL)

Real Losses = Water Losses - Apparent Losses: MG/Yr

WATER LOSSES: 1,144.901 MG/Yr

NON-REVENUE WATER

NON-REVENUE WATER: 1,192.713 MG/Yr

= Water Losses + Unbilled Metered + Unbilled Unmetered

SYSTEM DATA

Length of mains: miles
Number of active AND inactive service connections:
Service connection density: conn./mile main

Are customer meters typically located at the curbside or property line? (length of service line, beyond the property boundary, that is the responsibility of the utility)
Average length of customer service line: ft

Average operating pressure: psi

COST DATA

Total annual cost of operating water system: \$/Year
Customer retail unit cost (applied to Apparent Losses): \$/1000 gallons (US)
Variable production cost (applied to Real Losses): \$/Million gallons ☐ Use Customer Retail Unit Cost to value real losses

WATER AUDIT DATA VALIDITY SCORE:

*** YOUR SCORE IS: 85 out of 100 ***

A weighted scale for the components of consumption and water loss is included in the calculation of the Water Audit Data Validity Score

PRIORITY AREAS FOR ATTENTION:

Based on the information provided, audit accuracy can be improved by addressing the following components:

- 1: Volume from own sources
- 2: Unauthorized consumption
- 3: Systematic data handling errors

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE
WATER LOSS SCHEDULE - UNAUDITED
For the year ended June 30, 2017



AWWA Free Water Audit Software:
System Attributes and Performance Indicators

WAS v5.0
 American Water Works Association.
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Water Audit Report for: **City of Cookeville Water Quality Control (0000133)**

Reporting Year: **2017** **7/2016 - 6/2017**

*** YOUR WATER AUDIT DATA VALIDITY SCORE IS: 85 out of 100 ***

System Attributes:

Apparent Losses:	36.401	MG/Yr
+ Real Losses:	1,108.500	MG/Yr
= Water Losses:	1,144.901	MG/Yr

? Unavoidable Annual Real Losses (UARL): 157.57 MG/Yr

Annual cost of Apparent Losses: \$267,909

Annual cost of Real Losses: \$616,448 Valued at **Variable Production Cost**
 Return to Reporting Worksheet to change this assumption

Performance Indicators:

Financial:

{	Non-revenue water as percent by volume of Water Supplied:	31.2%	
	Non-revenue water as percent by cost of operating system:	11.0%	Real Losses valued at Variable Production Cost

Operational Efficiency:

{	Apparent Losses per service connection per day:	5.71	gallons/connection/day
	Real Losses per service connection per day:	173.75	gallons/connection/day
	Real Losses per length of main per day*:	N/A	
	Real Losses per service connection per day per psi pressure:	2.21	gallons/connection/day/psi

From Above, Real Losses = Current Annual Real Losses (CARL): 1,108.50 million gallons/year

? Infrastructure Leakage Index (ILI) [CARL/UARL]: 7.03

* This performance indicator applies for systems with a low service connection density of less than 32 service connections/mile of pipeline

See Independent Auditor's Report

CITY OF COOKEVILLE, TENNESSEE
PRINCIPAL CITY OFFICIALS - UNAUDITED
JUNE 30, 2017

Official Title	Name	Bond*
City Council:		
Mayor	Ricky Shelton	\$150,000
Vice-Mayor	Larry Epps	\$150,000
Councilman	Dwight Henry	\$150,000
Councilman	Charles Womack	\$150,000
Councilman	Jim Woodford	\$150,000
 City Manager	 Mike Davidson	 \$150,000
Finance Director	Brenda Imel	\$150,000
 City Clerk	 Cathy McClain	 \$150,000

* Bond coverage originates from the City's Public Employee coverage provided by Tennessee Municipal League Risk

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF UTILITY CUSTOMERS - UNAUDITED

JUNE 30, 2017

At June 30, 2017, the utility departments serviced the following number of customers:

<u>Department</u>	<u>Number of Customers</u>
Electric	17,730
Gas	9,825
Water	14,376
Sewer	14,418
Sanitation	1,066

See Independent Auditor's Report

COMPLIANCE AND INTERNAL CONTROL

CITY OF COOKEVILLE, TENNESSEE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None reported

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes X No
Significant deficiency(ies) identified? Yes X None reported

Type of auditor's report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported
in accordance with 2 CFR 200.516(a)? Yes X No (None)

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
20.205	Rails to Trails Grant/Surface Transportation Grant
97.044	SCABA Grant

Dollar threshold used to distinguish between Type A and Type B
programs: \$750,000

Auditee qualified as low-risk auditee? X Yes No

Section II - Financial Statement Findings

None reported

Section III - Federal Audit Findings and Questioned Costs

None reported

Section IV - Summary of Prior Audit Findings

The City of Cookeville, Tennessee had no prior year audit findings.



DUNCAN, WHEELER
& WILKERSON, P.C.
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the City Council
City of Cookeville, Tennessee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Cookeville, Tennessee (the "City"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 29, 2017. Our report includes a reference to other auditors who audited the financial statements of Cookeville Regional Medical Center Authority, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal

control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matter

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Duncan, Wheeler & Wilkerson, P.C.

December 29, 2017
Cookeville, Tennessee



DUNCAN, WHEELER
& WILKERSON, P.C.
Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

To the City Council
City of Cookeville, Tennessee

Report on Compliance for Each Major Federal Program

We have audited the City of Cookeville, Tennessee's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Duncan, Wheeler & Wilkinson, P.C.

Cookeville, Tennessee
December 29, 2017